TEXAS BOND REVIEW BOARD

2004 ANNUAL REPORT

Texas Bond Review Board Annual Report 2004

Fiscal Year Ended August 31, 2004

Rick Perry, Governor
Chairman

David Dewhurst, Lieutenant Governor

Tom Craddick, Speaker of the House of Representatives

Carole Keeton Strayhorn, Comptroller of Public Accounts

Robert C. Kline
Executive Director

November 2004

Introduction

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

The Texas economy improved considerably during fiscal 2004 as compared to the two prior fiscal years, and the Comptroller's Fall, 2004 forecast on the Texas economy indicates that the gross state product will grow 4.5% in calendar years 2005 through 2007. In addition, the Comptroller projects the average annual growth rate in personal income in Texas to be 5.6% during the same time period. The state's financial position at fiscal year end 2004 was substantially better than at the same time in 2003. The ending General Revenue Fund balance totaled $2.02 billion in cash, an increase of 393% from fiscal 2003's $409 million. For fiscal 2004, total net revenues decreased by $4.05 billion, or 4.9% from fiscal 2003 to $79.19 billion, and total expenditures decreased by 9.3%, or $7.97 billion to $77.58 billion.

Tax-supported debt ratios for Texas rank well below other states, including comparisons with the ten most populous states and those rated AAA by the three major rating agencies. U.S. Bureau of the Census figures rank Texas 3rd among the ten most populous states in terms of local debt burden, 9th in state debt burden and 6th in total state and local debt burden. Texas remains well below its constitutional debt limit of 5% with a ratio of 2.31% including authorized but unissued debt, a slight decrease from the fiscal 2003 ratio of 2.37%.

Approximately $3.65 billion in new-money and refunding bonds and commercial paper were issued by state agencies and institutions of higher education in fiscal 2004 compared to $3.33 billion in fiscal 2003. Lower interest rates resulted in the issuance of $920 million in refundings of state debt that resulted in a net present value savings to the state of $46.5 million. Projections for fiscal year 2005 show a slight decrease in overall state debt issuance, but an increase in the area of refunding opportunities. At August 31, 2004 Texas had a total of $19.95 billion in state debt outstanding, an increase of 9.7 % over fiscal 2003.

Local government debt issuance in fiscal 2004 decreased by approximately 6.4% when compared to 2003 — $20.68 billion versus $22.09 billion, respectively. New-money bond issuance decreased by 16.5% and refunding bonds increased by 10.1% over fiscal 2003. Although preliminary, data for fiscal 2004 indicate that of the $20.68 billion issued, approximately $11.47 billion was issued for new-money purposes while $9.22 billion was issued for refunding prior outstanding debt. For fiscal year end 2003, outstanding local government debt was $102.59 billion, an 8% increase from the $94.95 billion outstanding at the end of fiscal 2002.

Issuance cost data for state debt transactions that closed in fiscal 2004 reveal that the total costs of issuance including the underwriting spread and offering expenses, averaged $745,562, or $10.08 per $1,000 compared to $895,090 and $8.40 per $1000, respectively in fiscal 2003. The decrease in average costs and the increase in the costs per $1,000 are explained by the fact that fiscal 2004 saw far more small-sized issues in contrast to fiscal 2003 when almost half of the non-conduit issues had a par amount that was over $100 million. For fiscal 2004, most of Texas' competitive issues were smaller in size than the negotiated issues with average sizes of $24.7 million and $153.4 million, respectively.

Although the state's private activity bond volume cap in fiscal 2004 increased to $1,769,480,721 from $1,633,491,975 in 2003, the program experienced application demand of $4.37 billion, nearly 2.5 times the available authority. Initial applications for the 2005 program year indicate a lower level of requests with $2.7 billion for bond allocation authority to finance "private activities" such as housing, pollution control and student loans.

The report concludes with three appendices. Appendix A provides a detailed description of each state bond transaction closed in fiscal 2004. Appendix B reports on commercial paper and variable-rate debt programs used by state agencies and universities. Appendix C provides a brief discussion of each of the state's bond issuing entities.

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Cautionary Statements

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

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

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

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

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

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

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

Chapter 1
Texas Debt in Perspective

During fiscal 2004, Texas expended $220 in Net Tax Supported Debt Per Capita, down from $246 in fiscal 2003, compared to a national median of $701 and an average of $944. Among the ten most populous states, the median and average Net Tax-Supported Debt Per Capita was $925 and $1201, respectively.

Texas' Financial Position Positive

Texas ended the fiscal year with a General Revenue Fund cash balance of $2.02 billion. This represents a 393% increase from the fiscal 2003 year-end balance of $409 million. Although the General Revenue Fund year-end cash balance decreased significantly in fiscal year 2002 and again in fiscal 2003, it rebounded smartly in fiscal year 2004 *(Figure 1)*.

Year-end Total Net Revenues and Other Sources declined 4.9% to $79.19 billion while Net Expenditures and Other Uses declined by 9.3% to $77.58 billion *(Table 1)*. Total Tax Collections received in the General Revenue Fund increased by 6.8% to $27.88 billion. The state's primary source of revenue is the Sales Tax which contributed 55.2% of the Total Tax Collections during fiscal 2004. Sales Tax collections rose to $15.39 billion, an 8% increase from the prior fiscal year. Natural Gas Production Tax collections ended the year at $1.39 billion, an increase of 30.2% from fiscal 2003. Motor Fuels Taxes increased by 2.8%, and the Motor Vehicle Sales Tax collections increased by 1.7% in fiscal 2004.

78th Legislature Passed $118.20 Billion Budget

The 78th Legislature convened in January 2003 and approved the budget for the 2004-05 biennium. This budget (House Bill 1) called for total expenditures of $118.20 billion, an increase of 2.2% over actual expenditures for the 2002-03 biennium. Included in this all-funds amount was $58.9 billion in general revenue spending. This was a decrease of $1.77 billion, or 2.9% from the 2002-03 biennium general revenue spending level. As required by the Texas Constitution, the State Comptroller certified that sufficient revenue was available to pay for the state's 2004-05 budget.

Of the all-funds total of $118.20 billion that will be spent during the biennium, 54.6% is appropriated general revenue and dedicated general revenue funds. Federal funds comprise 33.2% of the state's available revenues and the remaining 12.2% comes from all other sources.

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

Texas GO Bond Ratings

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.

Table 1
STATEMENT OF CASH CONDITION
CONSOLIDATED GENERAL REVENUE FUND
(amounts in thousands)

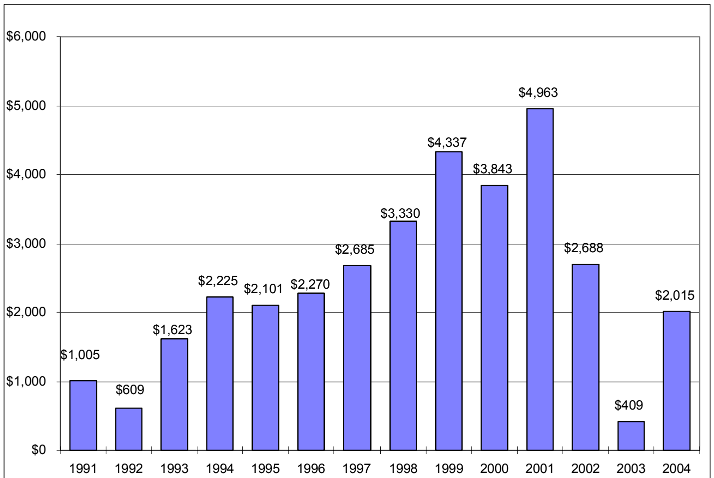
	Fiscal 2003	Fiscal 2004		Percent Change
Revenues and Beginning Balance				
Beginning Balance, September 1	$ 2,687,671	$ 408,998	**	-84.78%
Tax Collections				
General Revenue Fund				
Sales Tax	14,246,344	15,385,421		8.00%
Oil Production Tax	423,587	496,111		17.12%
Natural Gas Production Tax	1,069,864	1,392,436		30.15%
Motor Fuels Taxes	2,838,777	2,917,707		2.78%
Cigarette and Tobacco Taxes	582,712	534,577		-8.26%
Motor Vehicle Sale/Rental, Mfg. Housing Sale	2,693,443	2,740,288		1.74%
Franchise Tax	1,716,600	1,835,014		6.90%
Alcoholic Beverages Taxes	567,796	601,840		6.00%
Insurance Taxes	1,169,062	1,184,922		1.36%
Inheritance Tax	186,844	151,131		-19.11%
Hotel and Motel Tax	227,899	238,862		4.81%
Utilities Taxes	328,905	356,245		8.31%
Other Taxes	43,898	46,712		6.41%
Total Tax Collections	$ 26,095,733	$ 27,881,267		6.84%
Federal Income	$ 18,335,495	$ 19,108,002		4.21%
Interest & Investment Income	9,102	3,913		-57.01%
Licenses, Fees, Permits, Fines, & Penalties	3,919,053	4,570,448		16.62%
Contributions to Employee Benefits	160,064	178,178		11.32%
Sales of Goods and Services	138,314	170,929		23.58%
Land Income	17,564	50,045		184.93%
Settlements of Claims	554,056	509,888		-7.97%
Net Lottery Proceeds	1,405,554	1,596,764		13.60%
Other Revenue Sources	1,369,036	1,715,171		25.28%
Interfund Transfers / Investment Transactions	31,270,098	23,403,702		-25.16%
Total Net Revenue and Other Sources	$ 83,274,069	$ 79,188,308		-4.91%
Expenditures and Ending Balance				
General Government	$ 1,944,835	$ 1,982,644		1.94%
Health and Human Services	22,418,071	22,958,091		2.41%
Public Safety and Correction	3,067,030	2,899,045		-5.48%
Education	18,902,761	18,858,669		-0.23%
Employee Benefits	2,855,375	2,373,869		-16.86%
Lottery Winnings Paid	413,873	517,150		24.95%
Other Expenditures*	1,298,671	1,332,974		2.64%
Interfund Transfers / Investment Transactions	34,652,023	26,659,525		-23.07%
Total Expenditures and Other Uses	$ 85,552,640	$ 77,581,966		-9.32%
Net decrease to Petty Cash Accounts	(102)	81		
Ending Balance, August 31	$ 408,998	$ 2,015,421		392.77%

Source: Texas Comptroller of Public Accounts.

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

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

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



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

Source: Texas Comptroller of Public Accounts.

Texas' general obligation debt is split-rated at Aa1/AA/AA+ by the three credit rating agencies, Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch), respectively *(Table 2)*. Texas' AAA rating was downgraded in 1987 due to the state's economic recession during the 1980s. Since that time, however, the state's economic base has shown considerable improvement. A steady transition from an oil and gas economy to one increasingly based on services, manufacturing and technology has broadened the state's sources of revenue.

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

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

More States Receive Rating Downgrades

In its recent publication *Moody's State Rating Methodology*, Moody's explains that over the last three and one-half years, it has issued fifteen downgrades to ten states with only two states achieving ratings upgrades. During fiscal 2004, Louisiana and Illinois were the only states to receive rating upgrades for their general obligation bonds *(Table 3)*. Moody's and Fitch downgraded California's general obligation debt to the weakest ratings of all the 50 states: A3 and BBB, respectively. Also during fiscal 2004 Moody's downgraded Michigan; S&P downgraded Maine, Michigan, New Hampshire, New Jersey, Oregon and Washington. Fitch also downgraded New Hampshire, New Jersey and Wisconsin.

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

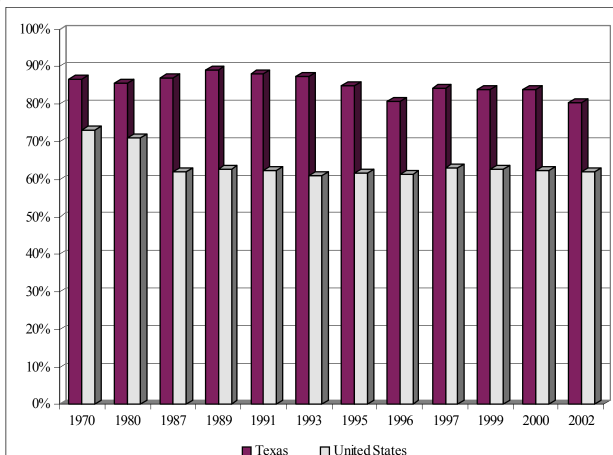
According to *Moody's 2004 State Debt Medians (Table 4),* during fiscal 2004 Texas ranked 46th among all states in Net Tax Supported Debt Per Capita. According to the Moody's report, Texas expended $220 in Net Tax Supported Debt Per Capita, down from $246 in fiscal 2003, and compared to a national median of $701 and an average of $944. Among the ten most populous states, the median and average Net Tax Supported Debt Per Capita was $925 and $1201, respectively.

Texas ranks 47th among the 50 states in Net Tax Supported Debt as a Percent of 2002 Personal Income and is also well below the national median and average of 2.4% and 3.1%, respectively (*Table 4*). Among the seven states rated AAA by all three major rating agencies, Texas ranks lowest at 0.8% *(Table 5)*.

With Net Tax Supported Debt Per Capita at $220, Texas ranks lower than AAA-rated states. By comparison, Delaware had the highest Debt Per Capita at $1,800. Additionally, Texas' 2002 Personal Income Per Capita of $28,693 is slightly below the national average of $28,884, but ranks above that of Utah, South Carolina and Missouri all of which are rated AAA.

The most recent data from the U.S. Census Bureau (2000-2002) on state and local debt outstanding shows that Texas ranks 3rd among the ten most populous states in terms of Local Debt Per

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



Source: U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State 2000-2002.*

Capita, 9th in State Debt Per Capita and 6th in Total State and Local Debt Per Capita *(Table 6)*. In 2002, 80.5% of Texas' total state and local debt burden was at the local level *(Figure 2)*. Local debt includes debt issued by cities, counties, school and hospital districts and special districts.

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

Debt Supported by General Revenue Increases

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

Some general obligation bonds, such as those issued by the Texas Veterans Land Board are called self-supporting, that is, the debt is repaid from revenues generated from projects the debt finances. Other general obligation debt, such as that issued by the Texas Public Finance Authority to finance programs for the Texas Department of Criminal Justice, the Texas Department of Mental Health and Mental Retardation and the Texas Youth Commission are not self-supporting and must receive annual legislatively appropriated debt-service payments from the state's general revenue fund.

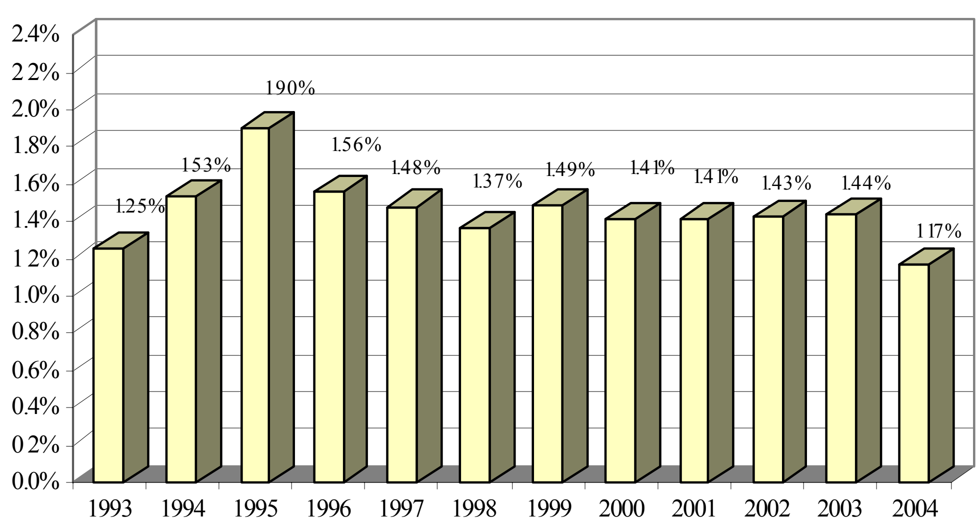
Table 2
STATE GENERAL OBLIGATION BOND RATINGS
August 2004

State	Moody's Investors Service	Standard and Poor's	Fitch Ratings
Alabama	Aa3	AA	AA
Alaska	Aa2	AA	AA
Arkansas	Aa2	AA	*
California	A3	BBB	BBB
Connecticut	Aa3	AA	AA
Delaware	Aaa	AAA	AAA
Florida	Aa2	AA+	AA
Georgia	Aaa	AAA	AAA
Hawaii	Aa3	AA-	AA-
Illinois	Aa3	AA	AA
Louisiana	A1	A+	A+
Maine	Aa2	AA	AA+
Maryland	Aaa	AAA	AAA
Massachusetts	Aa2	AA-	AA-
Michigan	Aa1	AA+	AA+
Minnesota	Aa1	AAA	AAA
Mississippi	Aa3	AA	AA
Missouri	Aaa	AAA	AAA
Montana	Aa3	AA-	*
Nevada	Aa2	AA	AA+
New Hampshire	Aa2	AA	AA
New Jersey	Aa2	AA-	AA-
New Mexico	Aa1	AA+	*
New York	A2	AA	AA-
North Carolina	Aa1	AAA	AAA
Ohio	Aa1	AA+	AA+
Oklahoma	Aa3	AA	AA
Oregon	Aa3	AA-	A+
Pennsylvania	Aa2	AA	AA
Rhode Island	Aa3	AA-	AA
South Carolina	Aaa	AAA	AAA
Tennessee	Aa2	AA	AA
TEXAS	Aa1	AA	AA+
Utah	Aaa	AAA	AAA
Vermont	Aa1	AA+	AA+
Virginia	Aaa	AAA	AAA
Washington	Aa1	AA	AA
West Virginia	Aa3	AA-	AA-
Wisconsin	Aa3	AA-	AA-

* Not rated

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

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



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

Table 3
UPGRADES AND DOWNGRADES IN
STATE GENERAL OBLIGATION BOND RATINGS
August 2003 to August 2004

	State	Rating Change	Agency
Upgrades			
	Louisiana	A2 to A1	Moody's
	Illinois	AA- to AA	Fitch Ratings
Downgrades			
	California	A2 to A3	Moody's
	California	A- to BBB	Fitch Ratings
	Maine	AA+ to AA	Standard and Poor's
	Michigan	Aaa to Aa1	Moody's
	Michigan	AAA to AA+	Standard and Poor's
	New Hampshire	AA+ to AA	Standard and Poor's
	New Hampshire	AA+ to AA	Fitch Ratings
	New Jersey	AA to AA-	Standard and Poor's
	New Jersey	AA to AA-	Fitch Ratings
	Oregon	AA to AA-	Standard and Poor's
	Washington	AA+ to AA	Standard and Poor's
	Wisconsin	AA to AA-	Fitch Ratings

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

State debt payable from general revenue has decreased slightly since fiscal 1999 when the total state debt payable from general revenue was $3.38 billion. At the end of fiscal 2004, outstanding state debt payable from general revenue was $3.16 billion, a slight decrease from the $3.19 billion outstanding in fiscal 2003.

Annual Debt Service as a Percent of Unrestricted General Revenue during fiscal 2004 was 1.17% compared to 1.44% in fiscal 2003 *(Figure 3)*.

Debt Service Payable from General Revenue saw a decrease in fiscal 2004 as state issuers restructured debt and interest rates continued to drop. Funds accessible to make debt-service payments also increased *(Figure 4)*. Unrestricted general revenue is typically considered the most available funding source to make bond debt-service payments and to fund appropriations for state operations.

Authorized but Unissued Bonds Add to Texas' Debt Burden

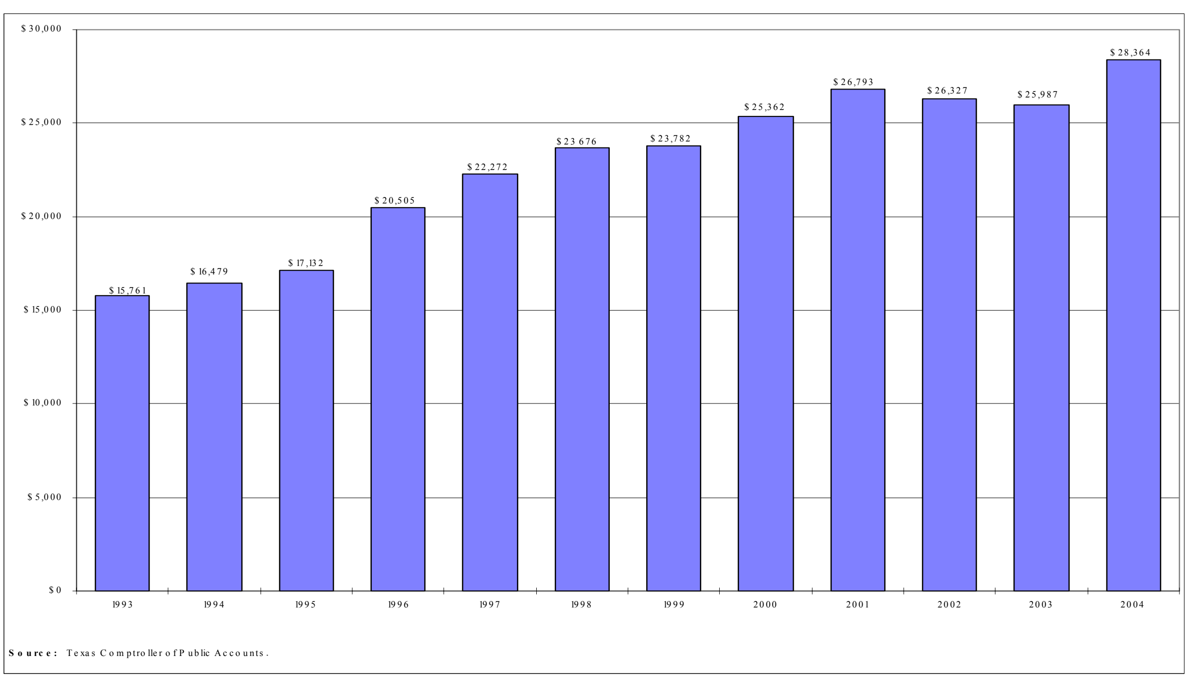
Texas continues to have a moderate amount of authorized but unissued debt on the books. This debt that has been authorized by the legislature but has not yet been issued, may be issued at any time without further legislative action. At the end of fiscal year 2004, Texas had approximately $1.19 billion in non-general obligation and general obligation bonds payable from non-self supporting general revenue authorized by the legislature but unissued.

Texas' Constitutional Debt Limit and Debt Management Policy

The Texas Constitution limits the amount of tax-supported debt that may be issued. In 1997, the 75th Legislature passed and voters approved House Joint Resolution 59, which states that additional tax-supported debt may not be authorized if the maximum annual debt service on debt payable from general revenue, including authorized but unissued debt, exceeds 5% of the average annual unrestricted General Revenue Fund revenues for the previous three fiscal years.

The debt-limit ratio for debt outstanding at fiscal year end 2004 was 1.51%, no change from fiscal 2003 when the ratio was also1.51%. With the inclusion of authorized but unissued debt,

Figure 4
UNRESTRICTED GENERAL REVENUE
(millions of dollars)



the fiscal 2004 ratio is 2.31% compared to the fiscal 2003 ratio of 2.37%.

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

Capital Planning Review and Approval Process

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

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

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

Approved capital and operating budgets are integrated into the General Appropriations Act which authorizes specific debt issuance for capital projects. Through the capital budgeting process, capital projects are approved for the biennial period. In addition, in order to plan for the future and identify longer term needs for the state, the CEP also reports on three out-years.

The 2006-2007 CEP represents the third published capital expenditure plan for the state, per House Bill 1, Article 9, Section 9-6.38, 77th Legislature (2001). The CEP is another management tool for state decision makers to use in assessing future individual capital expenditure requests within the framework of the state's overall financial position. The 2006-07 Capital Expenditure Plan, which also covers the out-years 2008-2010, is available on the agency's website.

The debt issuance process at the local level in Texas remains highly fragmented while becoming more consolidated at the state level.

Table 4
SELECTED TAX-SUPPORTED DEBT
MEASURES BY STATE

State	Moody's Rating	Net Tax-Supported Debt as a % of 2002 Personal Income	Rank	Net Tax-Supported Debt Per Capita***	Rank
Hawaii	Aa3	10 4%	1	$3,101	3
Massachusetts	Aa2	8 5%	2	3,333	2
Connecticut	Aa3	5 4%	3	3,558	1
New York	A2	6 7%	4	2,420	4
New Jersey	Aa2	5 9%	5	2,332	5
Illinois	Aa3	5 8%	6	1,943	6
Delaware	Aaa	5 6%	7	1,800	7
Mississippi	Aa3	5 2%	8	1,169	12
Washington	Aa1	4 9%	9	1,580	8
Oregon	Aa3	4 5%	10	1,281	11
Wisconsin	Aa3	4 5%	11	1,325	10
Rhode Island	Aa3	4 4%	12	1,385	9
Kentucky	Aa2*	4 4%	13	1,119	13
New Mexico	Aa1	4 1%	14	962	18
West Virginia	Aa3	3 6%	15	859	20
Utah	Aaa	3 5%	16	846	21
Florida	Aa2	3 5%	17	1,023	15
Kansas	Aa1*	3 3%	18	963	17
California	Baa1	3 2%	19	1,060	15
Alaska	Aa2	3 0%	20	962	19
Maryland	Aaa	3 0%	21	1,077	14
Georgia	Aaa	2 9%	22	827	22
Ohio	Aa1	2 7%	23	806	23
Louisiana	A1	2 6%	24	661	28
Vermont	Aa1	2 5%	25	724	24
South Carolina	Aaa	2 4%	26	599	29
Arizona	NGO**	2 3%	27	591	30
Pennsylvania	Aa2	2 2%	28	711	25
Michigan	Aa1	2 0%	29	670	27
Minnesota	Aa1	2 0%	30	691	26
North Carolina	Aa1	2 0%	31	556	32
Nevada	Aa2	2 0%	32	590	31
Alabama	Aa3	2 0%	33	505	35
Arkansas	Aa2	1 8%	34	420	38
Maine	Aa2	1 8%	35	492	36
Virgina	Aaa	1 7%	36	546	35
Missouri	Aaa	1 6%	37	461	37
New Hampshire	Aa2	1 5%	38	496	35
Indiana	Aa1*	1 3%	39	361	39
Montana	Aa3	1 3%	40	311	41
Oklahoma	Aa3	1 2%	41	315	40
South Dakota	NGO**	0 9%	42	254	43
Colorado	NGO**	0 9%	43	307	42
North Dakota	Aa3*	0 9%	44	235	45
Wyoming	NGO**	0 8%	45	250	44
Tennessee	Aa2	0 8%	46	220	47
Texas	Aa1	0 8%	47	220	46
Iowa	Aa1*	0 5%	48	139	48
Idaho	Aa3*	0 5%	49	115	49
Nebraska	NGO**	0 1%	50	43	50
Mean		3 1%		$944	
Median		2 4%		$701	
Puerto Rico		51 2%		$5,758	

* Issuer Rating
** No general obligation debt
***Based on 2002 population figures
Sources: Moody's Investors Service, *2004 State Debt Medians*

On the local level, there are nearly 4,000 debt issuing entities, but at the state level the number of active, direct debt issuing agencies has been reduced to seventeen.

Local Debt Issuance Process

Local governments in Texas issue debt to finance construction and renovation of government facilities (school instructional facilities, public safety buildings, city halls, county courthouses), public infrastructure (roads, water and sewer systems) and various other projects for economic development. Key factors that affect a government's need or ability to borrow funds for infrastructure development include population changes, revenue sources, tax rates and levies, interest rates and construction costs. Other factors that affect debt issuance may simply be the importance of a project to a particular community.

Like state government, local governments issue two major types of long-term debt—general obligation debt and revenue debt. General obligation debt is secured by the full faith and credit of the government (i.e. the government's taxing authority) while revenue debt is secured solely by a specified revenue source.

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

Table 5
SELECTED DEBT MEASURES FOR TEXAS AND STATES RATED AAA*

State	Rating	Net Tax-Supported Debt as a % of 2002 Personal Income	Net Tax-Supported Debt Per Capita***	2002 Personal Income Per Capita
Delaware	AAA	5 6	$1,800	$32,487
Georgia	AAA	2 9	827	28,884
Maryland	AAA	3 0	1,077	36,427
Missouri	AAA	1 6	461	28,391
South Carolina	AAA	2 4	599	25,474
TEXAS	AA	0 8	220	28,693
Utah	AAA	3 5	846	24,898
Virginia	AAA	1 7	546	32,860
Median of AAA States		**2.9**	**$827**	**$28,884**
Mean of AAA States		**3.0**	**$879**	**$29,917**

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

** Based on 2002 population figures

Sources: Moody's Investors Service, *2004 State Debt Medians; Bureau of Economic Analysis*

Local Debt Outstanding Increases 60% in Five Years

Nationwide, municipal bond issuance set record highs in 2002 and 2003. Texas local governments followed that trend issuing $19.42 billion in fiscal 2002 and $22.09 billion in fiscal 2003, both record-breaking amounts. Since fiscal 1999, local debt outstanding has increased by 60%, from $13.85 billion to $22.09 billion.

The new-money portion issued during the five-year period (fiscal 1999-2003) was $57.01 billion with refunding totals reaching $28.53 billion. Cities, school districts and water districts comprised 87% of both the new-money volume ($49.66 billion) and the refunding transaction volume ($24.69 billion) since fiscal 1999.

Debt refinancing peaked in 2002 and 2003 when interest rates hit three and four decade lows, respectively. Although many government entities achieved both a cash and present value savings with these refundings, especially Texas counties, the majority of transactions resulted in only a net present value savings with a cash loss. In these cases, the primary objective was to restructure debt-service requirements to more evenly match budget flows and thus avoid raising taxes during those times of U.S. economic weakness. Extending debt-service schedules to reduce annual payment requirements assisted in meeting this objective.

Majority of Debt Financing Supports Educational Facilities and Water-Related Infrastructure

During the five-year reporting period, the primary use of bond proceeds (20.6%) was for educational facilities and equipment, including school buses. Financing for water-related infrastructure needs continues to be the second major purpose for debt issuance by Texas local governments (10.6%). The general-purpose category ranks third at 10.4%. Some issuers, especially cities, borrow for multipurpose uses. No attempt was made to separate uses in multipurpose borrowings. From a review of official statements for these issues, debt financings for water and transportation purposes may be slightly understated.

During the five-year reporting period, financing for transportation needs including projects for roads, bridges, parking facilities, airports and rapid transit was the fourth major purpose at 8.5%. For purposes of tracking the use of bond proceeds, the Bond Review Board has selected the following additional categories: economic development, commerce, recreation, solid waste, prisons/detention, power, health-related facilities and fire safety.

Texas Local Governments: $102.59 Billion In Debt

As of August 31, 2003, Texas local governments had approximately $102.59 billion in outstanding debt, or $30.16 billion (41.6%) greater than the amount outstanding at the end of fiscal 1999. Approximately $56.93 billion (56%) of that debt is general obligation debt and will be repaid from local tax collections while the remaining $45.66 billion (44%) will be repaid from revenues generated by various projects such as water and sewer and electric utility fees. As previously noted, Texas ranks 3rd among the ten most populous states in terms of Local Debt Per Capita, 9th in State Debt Per Capita and 6th in Total State and Local Debt Per Capita.

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

Forty percent of all local government debt is carried by Texas cities. Approximately one-third ($14.33 billion) of the city debt is tax supported and the other two-thirds ($26.78 billion) is revenue debt—debt that is repaid from a special revenue source rather than from general tax collections. The majority of city revenue debt has been used to finance utility-related projects, including water, wastewater and in some localities, electric utility systems. Most of this type of debt is to be repaid from user charges.

As shown in *Figure 5,* city revenue debt increased by 45.5% ($8.37 billion) since 1999. This increase coincides with the boom in new housing spurred by the increase in Texas' population of over two million people, or 10.4% since 1999.

Table 6
TOTAL STATE AND LOCAL DEBT OUTSTANDING:
TEN MOST POPULOUS STATES

	Total State and Local Debt				State Debt				Local Debt			
State	Population (thousands)	Per Capita Rank	Amount (millions)	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount
New York	18,976	1	$ 197,195	$ 10,392	1	$ 89,856	45 6%	$ 4,735	1	$ 107,339	54 4%	$ 5,657
Pennsylvania	12,281	3	$ 83,809	6,824	7	20,983	25 0%	1,709	2	62,827	75 0%	5,116
New Jersey	8,414	2	$ 57,590	6,845	2	32,093	55 7%	3,814	9	25,497	44 3%	3,030
Illinois	12,419	4	$ 80,936	6,517	3	34,761	42 9%	2,799	6	46,176	57 1%	3,718
California	34,600	5	$ 209,299	6,049	5	71,263	34 0%	2,060	5	138,037	66 0%	3,989
Michigan	9,938	7	$ 54,195	5,453	4	21,947	40 5%	2,208	7	32,248	59 5%	3,245
Florida	16,713	8	$ 90,276	5,402	8	20,266	22 4%	1,213	4	70,010	77 6%	4,189
TEXAS	**20,852**	**6**	$ 122,810	**5,890**	**9**	**24,008**	**19.5%**	**1,151**	**3**	**98,801**	**80 5%**	**4,738**
Georgia	8,186	10	$ 34,301	4,190	10	8,243	24 0%	1,007	8	26,058	76 0%	3,183
Ohio	11,353	9	$ 51,344	4,522	6	20,009	39 0%	1,762	10	31,335	61 0%	2,760
MEAN			**$ 98,175**	**$ 6,208**		**$ 34,343**	**34.9%**	**$ 2,246**		**$ 63,833**	**65 1%**	**$ 3,963**

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: 2000-2002.*

Counties and community/junior college districts also had similar increases in revenue debt outstanding in the five-year period, 46.8% and 39.6%, respectively. As of August 31, 2003, counties had $1.58 billion in revenue debt outstanding while community/junior colleges had $748 million.

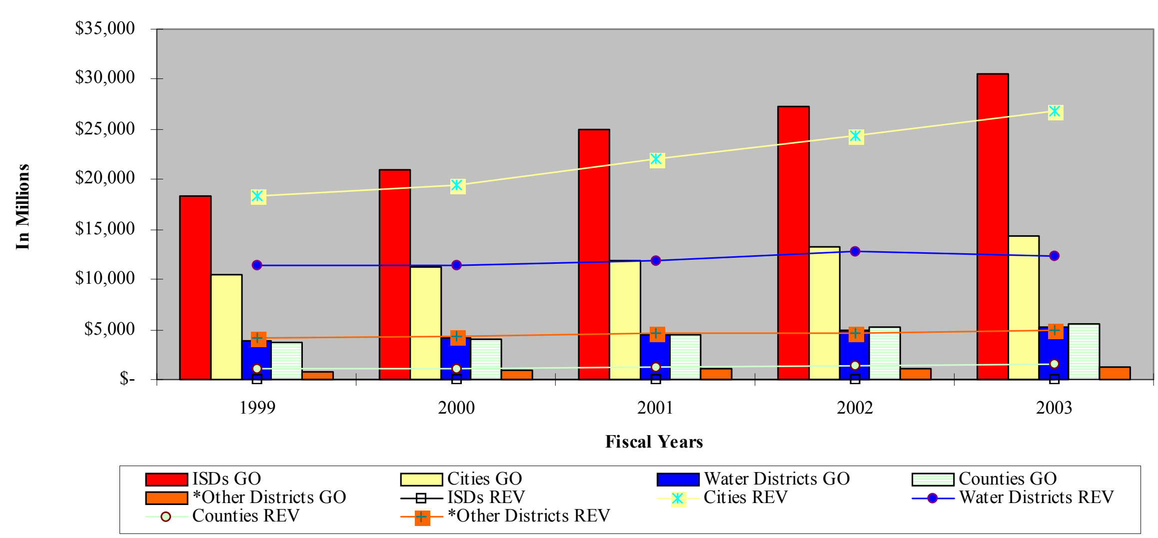
School District Tax-Supported Debt Rises 66% in Five Years

Thirty percent of all local government debt is carried by Texas school districts. Outstanding tax-supported debt totaled $30.59 billion as of August 31, 2003, a 66.1% ($12.18 billion) increase since 1999 *(Figure 5)*. During that five-year period, the Texas public school census increased by approximately 260,000 students, a 7.2% increase. School district debt is primarily used to finance instructional facilities while only a handful of school districts carry revenue debt for constructing, improving and equipping athletic/stadium facilities.

Community/junior college districts had a significant increase (104.1%) in tax-supported debt during the five-year time period, from $383 million outstanding as of August 31, 1999, to $781 million outstanding as of August 31, 2003. Community/junior college student enrollment grew in five years by 104,296 (24.8%) to 525,063 for the 50 college districts in Texas.

Tax-supported debt outstanding for health/hospital districts

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



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

Source: Texas Bond Review Board - Local Government debt databases, which include conduit debt as well as lease-purchase obligations for educational and jail facilities increased 88.3% to $212 million outstanding as of August 31, 2003. County tax-supported debt was 45.9% higher with $5.49 billion outstanding. Water districts which include navigation and port districts, river authorities, municipal utility districts (MUDs) and municipal water authorities, experienced a 36.9% rise in tax-supported debt outstanding with $5.29 billion on the books as of August 31, 2003. Cities experienced a similar increase of 36.2% with $14.33 billion tax-supported debt outstanding as of August 31, 2003.

On a cumulative level for all Texas local governments, five-year statistics show a 52.5% or $19.60 billion increase in tax-supported debt outstanding, and a 30.1% or $10.56 billion increase in revenue debt outstanding.

Texas Bond Review Board and Local Government Debt

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

Chapter 2
Texas Bonds Issued in Fiscal 2004

*Debt issued by Texas state agencies and universities increased by 5.46% from the prior year to an aggregate total of $3.04 billion, compared to $2.88 billion issued in fiscal 2003. The fiscal 2004 issues included $2.1 billion in new money and almost $920 million in refunding bonds (*Table 7*). Other debt issued included $616 million of commercial paper and variable-rate notes. Additional information on bond transactions can be found in Appendix A of this report.*

New-Money Funding Increases in FY 2004

New-money bonds issued by Texas state agencies and institutions of higher education during fiscal 2004 totaled just over $2.1 billion, a 33.2% increase when compared to $1.6 billion issued during fiscal 2003 (*Figure 6*). Issuance of commercial paper is not included. The proceeds provided financing for infrastructure, housing and loan programs.

For fiscal year 2004, the Texas Public Finance Authority (TPFA) was the top issuer of new-money bonds with 67.1% of the total while the Texas Department of Housing and Community Affairs (TDHCA) issued 10.7%. These two agencies captured 77.8% of the total new-money issuance for fiscal 2004.

Uses of New Money for FY 2004

The Texas Department of Housing and Community Affairs (TDHCA) sold 10.7% of the total new-money bonds issued in fiscal 2004, amounting to $226.6 million, a 39.8% decrease from the $376.5 million issued in fiscal 2003.

In fiscal 2003 TDHCA provided more funds for single family housing than it did for multifamily housing. However, in fiscal 2004 the opposite was true, when TDHCA had only one single family housing issue. This transaction provided $4.14 million of new-money bonds for the TDHCA's single family mortgage revenue bond program. The program provides financing for the purchase of low interest rate mortgage loans made by lenders to first-time homebuyers with very low, low and moderate income who are acquiring modestly priced residences.

Seventeen TDHCA transactions accounted for $222.5 million for affordable multifamily housing in Austin, Houston, Dallas, Fort Worth, Arlington, Cypress, Porter, Plano and Pearland, Texas. Federal tax law requires a percentage of the rental units in these properties to be set aside for low-to-moderate income households.

A significant portion of fiscal 2003 new money (58.3%) was used for institutions of higher education in Texas. In fiscal 2004, that percentage fell to 10%.

The Texas State University System issued $47.6 million and the University of Houston System issued $25 million to fund property and facility improvements at their campuses. The Texas Tech University System issued $78.1 million for construction and upgrades to the Health Sciences Center. The University of North Texas System issued $5 million for student housing. Texas Southern University issued $11.1 million for construction and permanent improvements such as the Thurgood Marshall School

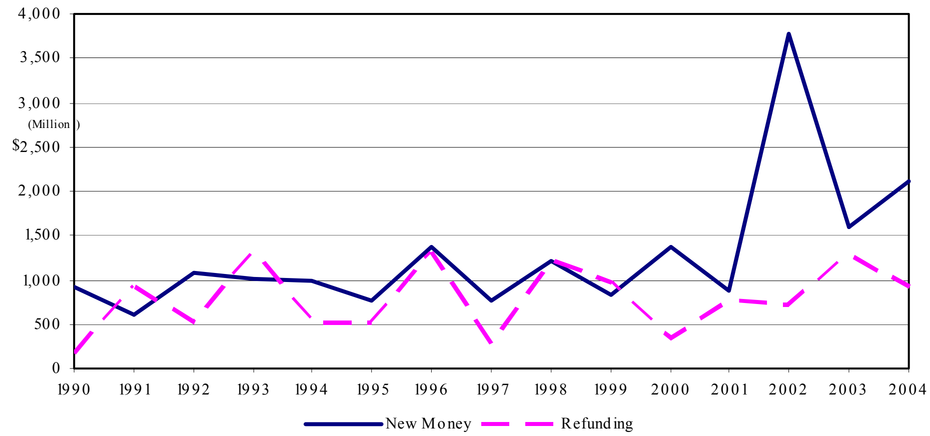
Table 7
TEXAS BONDS ISSUED DURING FISCAL 2004
Summarized by Issuer

ISSUER	REFUNDING BONDS	NEW-MONEY BONDS	TOTAL BONDS ISSUED
Texas Department of Housing & Community Affairs	$208,110,000	$226,595,000	$434,705,000
Texas State Affordable Housing Corporation	0	50,000,000	50,000,000
Texas Veterans Land Board	96,700,000	100,000,000	196,700,000
Texas Southern University	0	11,100,000	11,100,000
Texas State University System	0	47,635,000	47,635,000
Texas Woman's University	0	15,000,000	15,000,000
The University of Texas System	438,245,000	0	438,245,000
Texas Tech University System	19,144,000	78,121,000	97,265,000
University of Houston System	16,490,000	25,000,000	41,490,000
University of North Texas System	6,185,000	4,980,000	11,165,000
Texas Higher Education Coordinating Board	52,765,000	0	52,765,000
Texas Public Finance Authority	0	1,419,845,000	1,419,845,000
Texas Water Development Board	82,225,000	137,625,000	219,850,000
Total Texas Bonds Issued	**$919,864,000**	**$2,115,901,000**	**$3,035,765,000**

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

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

Figure 6
TEXAS NEW-MONEY AND REFUNDING BOND ISSUES
1990-2004



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

of Law and a campus radio station; and Texas Woman's University issued $15 million for student housing at the Denton Campus.

The TPFA closed on two bond transactions totaling $29.5 million issued on behalf of institutions of higher education. $26 million will go towards renovating the Stephen F. Austin University Center at Stephen F. Austin State University and $3.5 million will go to Texas Southern University to repair damages caused by Tropical Storm Allison.

Of the two additional issues sold by TPFA in fiscal 2004, the first was $1.38 billion issued for the Texas Workforce Commission for an Unemployment Compensation Fund. This one issue accounted for 65.1% of all new money issued in 2004. In addition, TPFA issued $13.6 million for the Texas Military Facilities Commission for the construction and repair of buildings.

With a total of $100 million, the Veterans Land Board (VLB) issued 4.7% of total fiscal 2004 new-money debt. The proceeds will be used to make housing and home improvement loans to eligible Texas veterans.

The Texas Water Development Board (TWDB) issued $137.6 million (6.5%) of new-money bonds. The proceeds will be used for low interest loans for water supply and water quality enhancements, interagency contracts and water resource conservation and development.

Refunding Amounts Decrease In FY 2004

Refunding bonds issued by state agencies and universities totaled almost $920 million, achieving total net present value savings of $46.5 million. The refunding bonds comprise 30.3% of total debt issued in fiscal 2004, as compared to 44.9% of the total bonds issued in fiscal 2003. This represents a 28.7% decline and $371 million less in dollar amount than in fiscal 2003.

The University of Texas System refunded the largest amount of outstanding debt, issuing $438.2 million in refunding bonds.

The TWDB issued $82.2 million in refunding bonds for outstanding water development bonds.

The TDHCA issued $208.1 million in refunding bonds to refund outstanding multi-family and single family mortgage revenue issues including a large amount of commercial paper.

The Texas Tech University System issued $19.1 million to refund outstanding revenue financing system bonds and commercial paper notes. The University of Houston issued $16.5 million in refunding bonds for outstanding consolidated revenue bonds. The University of North Texas System issued $6.2 million in refunding bonds to refund revenue financing system bonds.

The Texas Higher Education Coordinating Board issued $52.8 million in refunding bonds to refund outstanding college student loan bonds.

Lastly, the VLB issued $96.7 million to refund outstanding veterans' housing assistance bonds and veterans' land bonds.

Increased Interim Financing

State agencies and institutions of higher education use commercial paper and variable-rate notes to provide interim financing for equipment, construction and loans. Total issuance in fiscal 2004 was over $616 million, a 36.3% increase from the $452 million issued in fiscal 2003. See Table 17 in Appendix B.

The University of Texas System issued almost $318 million in Revenue Financing System (RFS) commercial paper notes and $100 million in Permanent University Fund (PUF) variable-rate notes during fiscal 2004. As of August 31, 2004, the System had $488 million of RFS commercial paper and no PUF variable-rate notes outstanding. The System uses commercial paper and variable-rate notes to provide interim financing for construction projects and to purchase equipment.

The TPFA issued $10 million in revenue commercial paper and $39.4 million in general obligation commercial paper during fiscal 2004. As of August 31, 2004, TPFA had a total of $55.4 million in revenue commercial paper and $60.5 million in general obligation commercial paper outstanding.

The Texas A&M University System issued $94.4 million in RFS commercial paper notes during fiscal 2004. As of August 31, 2004, the System had $150 million of RFS commercial paper outstanding and $80 million of PUF variable-rate notes outstanding. The System utilizes commercial paper and variable-rate notes to finance construction projects on its campuses.

The TDHCA issued $46 million in commercial paper during fiscal 2004. The total amount of commercial paper outstanding as of August 31, 2004 was $50.8 million. TDHCA established its commercial paper program in 1994 to enable the agency to recycle certain prepayments of single family mortgage loans, thereby preserving the private activity volume cap allocation under its single family programs. Once TDHCA has issued a substantial aggregate amount of notes, the notes are refunded with single family mortgage revenue bonds. The preservation of the volume cap allows TDHCA to make additional mortgage loans for modestly priced housing. The program targets first-time homebuyers of very low, low and moderate income.

During fiscal 2004, the Texas Tech University System issued $5.8 million in RFS commercial paper. As of August 31, 2004, the TTU System had $14.9 million of commercial paper outstanding. The System established its commercial paper program in 1998 to finance construction projects.

The Texas Economic Development and Tourism office issued $2.9 million in commercial paper during fiscal 2004. As of August 31, 2004, the office had $12.8 million of commercial paper outstanding.

The Texas Department of Agriculture issued no commercial paper in fiscal 2004. As of August 31, 2004, the Department had $30 million of commercial paper outstanding.

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

Texas Lease Purchases

Lease purchases with an initial principal greater than $250,000 or with a term of more than five years are required to be approved by the Bond Review Board. The BRB approved $95.2 million for eight lease-purchase acquisitions during fiscal 2004 (*Table 8*), compared to approximately $612,000 in fiscal 2003.

The largest lease purchase was a $49.8 million transaction from the Department of Mental Health and Mental Retardation. With the proceeds the Department will overhaul older facilities and use the savings from energy costs to finance the purchases. Lamar University and Texas Parks and Wildlife Department have similar lease-purchases in the respective amounts of $13.7 million and $1.6 million.

Table 8
LEASE PURCHASE AGREEMENTS
APPROVED BY THE BOND REVIEW BOARD
FISCAL 2004

AGENCY	PROJECT	AMOUNT
Lamar University	Energy Savings	$13,747,258
Texas Department of Public Safety	Communications	9,341,234
Texas Public Finance Authority	DHS Software	17,014,926
Texas Department of Criminal Justice	Computers	1,700,000
Texas Department of Criminal Justice	Vehicles	1,593,740
Texas Department of Mental Health and Mental Retardation	Energy Savings	49,800,270
Texas State Technical College	Aircraft	654,000
Texas Parks and Wildlife Department	Energy Savings	1,350,000
Total Approved Lease-Purchase Agreements		**$95,201,428**

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

The Texas Department of Public Safety received approval for a $9.3 million lease purchase for new telecommunications equipment.

TPFA was approved for $17 million on behalf of the Department of Human Services for software upgrades.

There were two lease purchases approved for the Texas Department of Criminal Justice: $1.7 million for personal computer replacements and $1.6 million for the replacement of vans and buses.

Finally, Texas State Technical College received lease-purchase approval for the purchase of three airplanes for its pilot training program at its Waco campus in the amount of $654,000.

Funding Needs Projected to Decrease For FY 2005

Texas state issuers expect to issue less debt in fiscal 2005 than was issued during fiscal 2004. The results of an annual survey conducted by the Bond Review Board show that Texas state agencies and institutions of higher education are planning to issue $3.08 billion in bonds and commercial paper during fiscal 2005 *(Table 9)*.

The issuer of the largest amount of new-money bonds in fiscal 2004, TPFA plans to issue approximately $868 million in bonds and commercial paper during fiscal 2005. TPFA bonding packages include $250 million for the Military Preparedness Commission and $200 million for the Texas Education Agency for the lease purchase of textbooks. Other projects to be funded in fiscal 2005 include $20 million for colonias roadways, $75 million for the Nursing Home Liability Fund as well as $75 million for the FAIR Plan as designated by Senate Bill 14. Currently, $85.1 million is planned for renovation and construction projects by the Department of Criminal Justice, Department of Mental Health and Mental Retardation and the Building and Procurement Commission. Of the $85.1 million, the Department of Health expects to issue $16.9 million for construction of a healthcare facility at the University of Texas Health Science Center at San Antonio.

In addition, TPFA plans to issue $11.3 million for the Department of Public Safety's satellite system equipment and $9 million for the Parks and Wildlife Department's Nimitz Museum project. The remainder of TPFA's new debt for 2005 consists of $44.6 million for the Texas Historical Commission's county courthouse preservation projects, an estimated $25 million for the Texas Department of Human Services' TIERS Project, $70.5 million for energy and water conservation projects at the Department of Mental Health and Mental Retardation, Texas Parks and Wildlife Department, Lamar University and Texas Military Facilities Commission. TPFA plans to issue $39,953 to fund a metrology lab for the Texas Department of Agriculture and issue $2.7 million on behalf of the Texas Department of Criminal Justice for computer software and vehicle replacements. TPFA will also provide funding for charter school financings.

The University of Texas System expects to issue $650 million of debt during the new fiscal year. The debt will be used to finance facility construction, renovation, purchase equipment as well as refund outstanding commercial paper.

The TWDB anticipates that it will issue $175 million in new-money debt. The Clean Water State Revolving Fund will utilize the majority of this new debt — $100 million — to provide funds for financial assistance to local governmental jurisdictions in Texas that seek to improve their wastewater infrastructure. The TWDB also plans to issue $75 million for Water Financial Assistance bonds. In addition the TWDB plans on issuing $131 million for refunding. Of the total refunding, $91 million would be earmarked for the Clean Water State Revolving Fund and $40 million for the Water Financial Assistance Program Bonds.

The VLB expects to issue $259 million in bonds during fiscal 2005. Of this projected debt, $150 million will augment the Veterans' Housing Assistance Program and $40 million will provide loans for eligible veterans to acquire land through the Veterans Land Loan Program. The VLB also anticipates refunding approximately $43.9 million of housing bonds and $24.8 million of land bonds.

The Texas Department of Housing and Community Affairs expects to issue approximately $318 million during fiscal 2005. Of the total, the proceeds from $165 million will finance TDHCA's Single Family Mortgage Revenue Bond Program. TDHCA also plans to issue approximately $75 million in refunding bonds to refund a portion of its outstanding residential mortgage revenue commercial paper notes. The remaining bonds expected to be issued will be Private Activity Bonds, estimated to be $78 million.

The Texas State Affordable Housing Corporation expects to issue $104.8 million in bonds during fiscal 2005. The largest portion, $50 million will be used to provide loans to teachers and firefighters. The Corporation expects to receive $39 million in private activity bonds as well as close on a $15.8 million multi-family development issue.

The Texas A&M University System plans to issue $339.7 million in bonds and commercial paper in fiscal 2005. Of that amount $50 million, will be issued as Revenue Financing System commercial paper and $10 million will be issued as Public University Fund commercial paper. Texas A&M will issue $79.7 million in Public University Fund bonds for refunding obligations as well as providing funds for certain projects. In addition, Texas A&M will issue $200 million in Revenue Financing System bonds to refund commercial paper and bonds.

Texas State University System plans to issue $37.7 million for facility construction and renovations. Proceeds from $17.5 million of the total will be used to convert the University's McDonald gymnasium into a recreational sports facility on the Lamar University campus. With the remaining $20.2 million, TSUS will build student housing at the Sul Ross University campus.

The University of Houston System expects to issue $25 million of new-money debt for Consolidated Revenue Bonds designated for a parking garage project.

The Texas Higher Education Coordinating Board plans to issue $56.6 million of general obligation refunding bonds.

The University of North Texas System anticipates issuing $62.6 million in fiscal 2005. The Dallas campus will receive $25.5 million in funding for development, and a planned Student Wellness Center will receive $13.1 million. In addition, $24 million will be issued as commercial paper to equip and improve various facilities.

The Texas Woman's University expects to use $8.3 million for renovations to its Denton Campus.

Other issues include $45 million from the Texas Economic Development and Tourism Office. Of that amount, $25 million will go towards a Product Development Fund and $20 million will be used for a Small Business Incubator Fund.

The Texas Department of Transportation also expects to issue Texas Mobility Fund Bonds during fiscal 2005, but the size and date have not been determined.

Table 9

TEXAS STATE BOND ISSUES EXPECTED DURING FISCAL 2005

ISSUER	APPROXIMATE AMOUNT	PURPOSE	APPROXIMATE ISSUE DATE
General Obligation Bonds			
Self-Supporting			
Texas Veterans Land Board	$50,000,000	Veterans Housing Bonds	Sep-04
Texas Veterans Land Board	43,870,000	Veterans Housing Refunding Bonds	Nov-04
Texas Veterans Land Board	24,755,000	Veterans Land Refunding Bonds	Nov-04
Texas Veterans Land Board	50,000,000	Veterans Housing Bonds	Feb-05
Texas Veterans Land Board	50,000,000	Veterans Housing Bonds	Jul-05
Texas Veterans Land Board	20,000,000	Veterans Land Bonds	Jun-05
Texas Veterans Land Board	20,000,000	Veterans Land Bonds	Jun-05
Texas Higher Education Coordinating Board	56,645,000	Current Refunding	Jul-05
Texas Water Development Board	75,000,000	Water Financial Assistance Bonds - New Money	Feb-05
Texas Water Development Board	40,000,000	Water Financial Assistance Bonds - Refunding	Jun-05
Total Self-Supporting	**$430,270,000**		
Not Self-Supporting			
Office of Economic Development and Tourism	$25,000,000	Product Development Fund	Unknown
Office of Economic Development and Tourism	20,000,000	Small Business Incubator Fund	Unknown
Texas Public Finance Authority	20,000,000	Governor's Office, TXDOT - Colonia Roadways	Sep-04
Texas Public Finance Authority	3,700,000	Texas Building and Procurement Commission - Deferred Maintenance	Sep-04
Texas Public Finance Authority	34,500,000	Texas Department of Criminal Justice - Repair and Renovation	Dec-04
Texas Public Finance Authority	5,300,000	Texas Department of Health - Construction of Healthcare Facility at UTHSC San Antonio	Sep-04
Texas Public Finance Authority	11,600,000	Texas Department of Health - Construction of Healthcare Facility at UTHSC San Antonio	Jul-05
Texas Public Finance Authority	18,000,000	Texas Department of Mental Health and Mental Retardation - Repair and Renovation	Dec-04
Texas Public Finance Authority	12,000,000	Texas Department of Mental Health and Mental Retardation - Repair and Renovation	May-05
Texas Public Finance Authority	20,000,000	Texas Historical Commission - Courthouse Preservation	Sep-04
Texas Public Finance Authority	24,550,000	Texas Historical Commission - Courthouse Preservation	Mar-05
Texas Public Finance Authority	250,000,000	Military Preparedness Commission	Dec-04
Total Not Self-Supporting	**$444,650,000**		
Total General Obligation Bonds	**$874,920,000**		
Non-General Obligation Bonds			
Self-Supporting			
The Texas A&M University System - RFS*	50,000,000	Facility Construction, Renovation, and Equipment	As Needed
The Texas A&M University System - RFS	200,000,000	Refund Commercial Paper and Outstanding Bonds	As Needed
The Txas A&M University - PUF*	10,000,000	Facility Construction, Renovation, and Equipment	As Needed
The Txas A&M University - PUF	79,715,000	Refund Outstanding Obligations and Provide Funds For Certain Projects	Sep-04
Texas State University System - RFS	17,500,000	Lamar - Convert McDonald gym to a recreational sport facility	Nov-04
Texas State University System - RFS	20,240,000	Sul Ross - Student Housing Facility	Nov-04
Texas Water Development Board	91,000,000	Clean Water State Revolving Fund - Refunding	Nov-04
Texas Water Development Board	100,000,000	Clean Water State Revolving Fund - New Money	Mar-05
Texas Woman's University	8,295,700	Renovate and Upgrade Buildings on the Denton Campus	Jan-05
University of Houston System	27,000,000	Consolidated Revenue Bonds - Parking Garage w/Retail Space	Jan-05
University of North Texas	25,500,000	Dallas - Tuition Revenue for Developing Campus and Facilities	Aug-05
University of North Texas	13,100,000	Tuition Revenue for Student Wellness Center	Aug-05
University of North Texas*	24,000,000	Commercial Paper - Improve and Equip Various Facilities	As Needed
The University of Texas System - RFS	650,000,000	Construction and Refund All or a Portion of RFS Commercial Paper Notes Series A	Nov-04 - Aug-05
Texas Department of Housing and Community Affairs	82,500,000	Single-Family Housing Revenue Bonds	Apr-05
Texas Department of Housing and Community Affairs	50,000,000	Single-Family Commercial Paper Refunding Bonds	Apr-05
Texas Department of Housing and Community Affairs	82,500,000	Single-Family Housing Revenue Bonds	Aug-05
Texas Department of Housing and Community Affairs	25,000,000	Single-Family Commercial Paper Refunding Bonds	Aug-05
Texas Department of Housing and Community Affairs	78,000,000	Private Activity Bonds	Various
Texas State Affordable Housing Corporation	50,000,000	Teachers and Firefighters Single Family Loan Program	Mar-05
Texas State Affordable Housing Corporation	39,000,000	Private Activity Bonds	Jun-05 - Jul-05
Texas State Affordable Housing Corporation	15,800,000	Multifamily Development	Jan-05
Total Self-Supporting	**$1,739,150,700**		
Not Self-Supporting			
Texas Department of Transportation	Unkown	Texas Mobility Fund	Spring/Summer-05
Texas Public Finance Authority	Unkown	Charter School Financings	Unknown
Texas Public Finance Authority	$75,000,000	Texas Department of Insurance - Nursing Home Liability Fund	Unknown
Texas Public Finance Authority	$200,000,000	Texas Education Agency - Lease Purchase of Textbooks	Unknown
Texas Public Finance Authority	$9,000,000	Texas Parks and Wildlife Department - Nimitz Museum	Unknown
Texas Public Finance Authority	$75,000,000	FAIR Plan	Unknown
Texas Public Finance Authority*	13,771,731	DHS - TIERS Project, Part II	Various
Texas Public Finance Authority*	11,246,280	DHS - TIERS Project, Part III	Various
Texas Public Finance Authority*	54,237	DIR - Telecommunications Upgrade	Various
Texas Public Finance Authority*	1,968,075	DPS - Satellite System	Various
Texas Public Finance Authority*	9,341,233	DPS - Satellite System, Phase III	Various
Texas Public Finance Authority*	39,953	TDA - Metrology Lab	Various
Texas Public Finance Authority*	1,111,181	TDCJ - Software Upgrade	Various
Texas Public Finance Authority*	1,593,750	TDCJ - Vehicles	Various
Texas Public Finance Authority*	54,700,000	MHMR - Energy and Water Conservation	Various
Texas Public Finance Authority*	1,350,000	TPWD - Energy and Water Conservation	Various
Texas Public Finance Authority*	11,447,751	Lamar University - Energy and Water Conservation	Various
Texas Public Finance Authority*	3,000,000	TMFC - Energy and Water Conservation	Various
Total Not Self-Supporting	**$468,624,191**		
Total Non-General Obligation Bonds	**$2,207,774,891**		
Total All Bonds	**$3,082,694,891**		

* Commercial Paper or Variable-Rate Note program

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

Chapter 3
Texas Bonds and Notes Oustanding

In fiscal 2004, the state's total bonds and notes outstanding increased 9.7% to $19.95 billion compared to $18.19 billion in fiscal 2003 and $17.14 billion in fiscal 2002.

General Obligation Bonds Outstanding Increased Slightly in FY 2004

At the end of fiscal 2004, total state debt outstanding backed by the state's general obligation (G.O.) pledge remained nearly unchanged at $5.85 billion with a $31.8 million increase from the previous fiscal year *(Table 10)*. New-money G.O. issues in fiscal 2004 include Veterans Housing Assistance bonds, Water Financial Assistance bonds and Texas Public Finance Authority bonds. (See Chapter 2 and Appendix A for a description of bonds issued in fiscal 2004.)

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

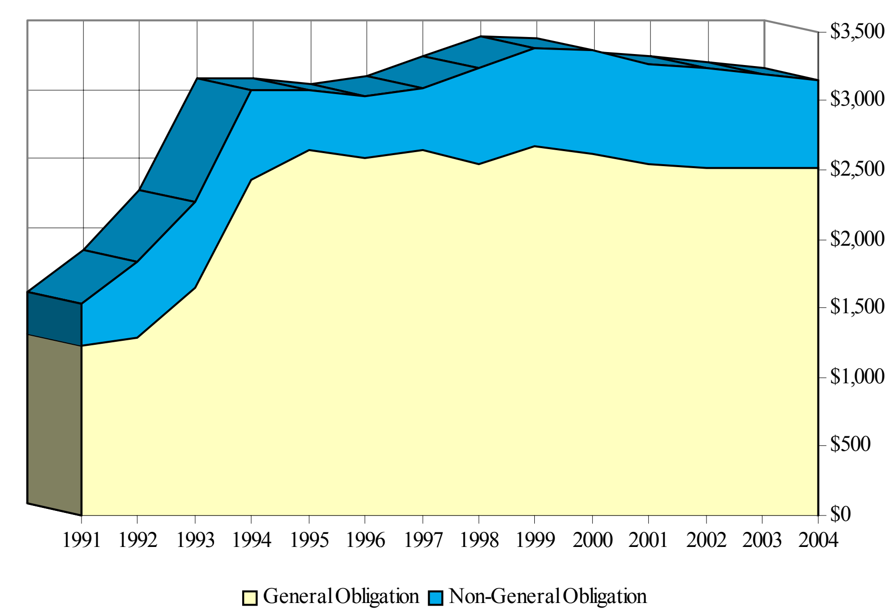
The repayment of non-G.O. (Revenue) debt is dependent only on the revenue stream of a project or enterprise or an appropriation from the legislature. Any pledge of state funds beyond the current budget period is contingent upon appropriation by future legislatures, and such an appropriation cannot be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

Investors are willing to assume the additional risk associated with the purchase of Revenue bonds by requiring a higher interest rate to compensate for the added risk. The interest rate on Revenue bond issues may range from 10 to 50 basis points (0.1 to 0.5%) higher than that of comparable G.O. issues.

General Revenue Supported Debt Decreased Slightly in FY 2004

All bonds do not have the same financial impact on the state's general revenue. Self-supporting bonds, both G.O. and Revenue, rely on sources other than the state's general revenue to pay debt service; thus self-supporting bonds do not directly impact state finances. However, bonds that are not self-supporting depend solely on the state's general revenue fund for debt service, and

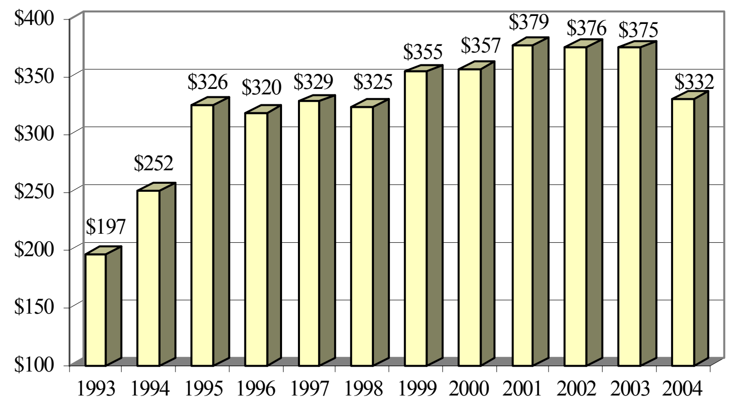
Figure 7
TEXAS STATE BONDS OUTSTANDING
BACKED ONLY BY GENERAL REVENUE
(Not Self-Supporting)



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

(millions of dollars)

Figure 8
ANNUAL DEBT SERVICE PAID FROM GENERAL REVENUE
(millions of dollars)



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

draw upon the same source used by the legislature to finance the operation of state government.

The combined total of not self-supporting General Obligation and Revenue bonds outstanding decreased by $37.3 million during fiscal 2004 *(Figure 7)*. Not self-supporting G.O. bonds outstanding decreased by $6.8 million in fiscal 2004 while not self-supporting Revenue bonds outstanding decreased by $30.5 million. As a result, Texas had $3.16 billion in outstanding bonds that must be paid from the state's general revenue as of August 31, 2004 – no significant change from fiscal years 2003 and 2002. Not self-supporting G.O. and Revenue bonds totaled $3.27 billion in fiscal year 2001.

Debt-Service Payments from General Revenue Decreased in FY 2004

Debt-service payments from general revenue decreased 11.6% from $375.5 million in fiscal 2003 to $331.8 million in fiscal 2004 *(Figure 8*) as a result of the debt restructuring that occurred in fiscal 2003; however, the anticipated debt in fiscal 2005 is expected to increase to $388.1 million, a 17% increase from fiscal 2004. During fiscal 2002, the state paid $376.1 million from general revenue for debt service compared to $378.6 million paid in 2001.

Revenue self-supporting debt paid in fiscal 2004 includes a $401 million payment by The University of Texas System for the Permanent University Fund Commercial Paper Program and a scheduled payment of $165 million by the Veteran's Land Board Financial Assistance Program (*Table 11*).

Texas Authorized but Unissued Bonds Increase in FY 2004

Authorized but unissued bonds are defined as those bonds that may be issued without further action by the legislature. As of August 31, 2004, Texas had $12.09 billion in authorized but unissued bonds compared to $11.01 billion as of August 31, 2003 *(Table 12)*, a 9.7% increase resulting primarily from the approval by Texas voters of $3 billion in Revenue bonds to finance transportation projects in the state's largest metropolitan areas. Of the total authorized but unissued bonds, $4.7 billion or 39% are General Obligation bonds; however, the authorized but unissued not self-supporting bonds that would require the payment of debt service from general revenue fell to $1.19 billion at year-end fiscal 2004 compared to $1.32 billion at fiscal year end 2003. Although bond authority passed by the 77th Legislature and subsequently approved by voters will continue to impact the amount of General Obligation bonds issued in fiscal 2005, the remaining outstanding bonds are in programs that are designed to be self-supporting.

New Bond Authority - 78th Texas Legislature

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

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

Long-Term Contracts and Lease Purchases

Long-term contracts and lease or installment-purchase agreements can serve as financing alternatives when the issuance of bonds is not feasible or practical. Like bonds, these agreements are a method of financing capital purchases over time. Payments on these contracts and agreements are generally subject to biennial appropriations by the legislature. These contracts and agreements are not classified as state bonds but must be added to bonds outstanding to obtain an accurate total of all state debt.

Table 10
TEXAS BONDS OUTSTANDING
(amounts in thousands)

	8/31/2001	8/31/2002	8/31/2003	8/31/2004
General Obligation Bonds				
Self-Supporting				
Veterans' Land and Housing Bonds	$1,673,221	$1,723,742	$1,660,840	$1,682,940
Water Development Bonds	776,870	879,580	881,345	953,020
Park Development Bonds	28,107	28,862	22,336	18,555 [4]
College Student Loan Bonds	604,550	635,418	691,698	646,349
Farm and Ranch Security Bonds*	1,000	1,000	0	0
Texas Agricultural Finance Authority*	34,000	34,000	36,000	30,000
Agriculture Water Conservation Bonds	6,380	0	0	0
Total, Self-Supporting	**$3,124,128**	**$3,302,603**	**$3,292,219**	**$3,330,864**
Not Self-Supporting [1]				
Higher Education Constitutional Bonds [2]	$53,995	$41,545	$28,490	$25,905
Texas Public Finance Authority Bonds	2,233,241	2,158,128	2,162,316	2,140,167 [4, 6]
Park Development Bonds	15,675	14,850	14,025	13,200
Agriculture Water Conservation Bonds	0	16,160	14,050	14,050
Water Development Bonds—EDAP [3]	146,775	166,195	160,735	179,460
Water Development Bonds—State Participation Bonds	99,840	119,840	141,710	141,710
Total, Not Self-Supporting	**$2,549,526**	**$2,516,718**	**$2,521,326**	**$2,514,492**
Total General Obligation Bonds	**$5,673,654**	**$5,819,321**	**$5,813,545**	**$5,845,356**
Non-General Obligation Bonds				
Self-Supporting				
Permanent University Fund Bonds				
The Texas A&M University System	$308,228	$299,395	$306,932	$303,631 [4, 6]
The University of Texas System	669,040	796,790	887,475	888,820 [6]
** College and University Revenue Bonds	2,627,035	3,186,916	4,109,514	4,617,953 [6]
The Texas A&M University System Revenue Bonds	677,741	678,429	854,399	893,985
Tuition Revenue Bonds	192,412	179,260	308,993	377,078
The University of Texas System Revenue Bonds	1,150,545	1,462,817	1,901,516	2,216,426
Tuition Revenue Bonds	280,293	387,345	456,740	566,952
The Texas Tech University System Revenue Bonds	215,170	315,525	313,954	397,482
Tuition Revenue Bonds	56,985	72,570	69,101	153,227
University of Houston System Revenue Bonds	177,400	167,410	282,945	294,525
Tuition Revenue Bonds	55,095	53,035	150,060	169,545
Texas State University System Revenue Bonds	213,130	200,645	322,930	346,545
Tuition Revenue Bonds	95,520	91,390	180,625	199,160
The University of North Texas System Revenue Bonds	76,064	168,470	200,720	199,895
Tuition Revenue Bonds	62,235	113,670	108,435	106,540
Texas Woman's University Revenue Bonds	22,920	37,945	39,280	47,885
Tuition Revenue Bonds	9,175	25,835	24,525	23,640
Texas State Technical College System Revenue Bonds	8,175	7,355	10,395	15,550
Tuition Revenue Bonds	0	0	3,910	9,990
Midwestern State University Revenue Bonds	13,310	21,735	34,085	32,875
Tuition Revenue Bonds	8,430	17,090	16,505	15,875
Stephen F. Austin State University Revenue Bonds	22,060	29,960	28,890	52,530
Tuition Revenue Bonds	5,620	19,485	18,770	18,100
Texas Southern University Revenue Bonds	50,520	96,625	120,400	120,255
Tuition Revenue Bonds	17,085	64,495	89,625	87,385
Texas Dept. of Housing and Community Affairs Bonds	1,541,849	1,608,150	1,794,377	1,931,634 [6]
Texas State Affordable Housing Corporation	33,037	486,929	501,898	551,770
Texas Small Business I.D.C. Bonds	99,335	99,335	99,335	99,335
Economic Development Program *	5,655	9,000	13,258	14,000
Texas Water Resources Finance Authority Bonds	86,290	69,790	54,430	38,070
College Student Loan Bonds	23,100	15,051	8,206	3,511
Texas Department of Transportation Bonds	0	2,199,994	2,199,994	2,199,994 [6]
Texas Workers Compensation Fund Bonds	118,409	102,669	85,513	66,815
Veterans' Financial Assistance Bonds	196,597	197,284	188,998	26,277
Texas Public Finance Authority Bonds (Special Revenue)	34,775	33,320	31,805	30,225
TPFA Worker's Unemployment Compensation Obligation Bonds	0	0	0	1,371,720 [6]
Texas Water Development Board Bonds (State Revolving Fund)	1,524,367	1,493,025	1,422,100	1,322,145
Total, Self-Supporting	**$7,267,717**	**$10,597,647**	**$11,703,836**	**$13,465,900**
Not Self-Supporting [1]				
Texas Public Finance Authority Bonds	$615,146	$596,259	$540,540	$508,230
TPFA Master Lease Purchase Program*	33,600	56,400	65,259	58,359 [5]
Texas Military Facilities Commission Bonds	15,725	17,710	14,095	25,985
Parks and Wildlife Improvement Bonds	57,030	54,715	51,835	48,705
Total, Not Self-Supporting	**$721,501**	**$725,084**	**$671,729**	**$641,279**
Total Non-General Obligation Bonds	**$7,989,218**	**$11,322,731**	**$12,375,565**	**$14,107,179**
Total Bonds	**$13,662,872**	**$17,142,052**	**$18,189,110**	**$19,952,535**

Note: The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2004

* Commercial Paper

** Amounts for Tuition Revenue Bonds are included in the Revenue Bonds totals 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")

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

2 While not explicitly a general obligation or full faith and credit bond, the revenue pledge 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; however, up to 90 percent of bonds issued may be used for grants

4 Amounts do not include premium on capital appreciation bonds

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

6 Includes commercial paper and bond anticipation notes outstanding

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

Table 11
DEBT-SERVICE REQUIREMENTS OF TEXAS STATE BONDS BY FISCAL YEAR
(amounts in thousands)

	2004 Total[1]	2005	2006	2007	2008	2009 beyond
General Obligation Bonds						
Self-Supporting						
Veterans' Land and Housing Bonds	$122,157	$125,645	$127,067	$126,610	$122,498	$2,351,964
Water Development Bonds	75,367	80,142	83,623	85,116	86,601	1,237,747
Park Development Bonds	4,138	4,142	4,139	4,139	4136	6,959
College Student Loan Bonds	60,676	68,552	87,863	80,243	82,311	645,774
Texas Agriculture Finance Authority	6,447	1,200	1,620	1,800	1,800	46,800
Total Self-Supporting	$268,784	$279,681	$304,312	$297,908	$297,346	$4,289,243
Not Self-Supporting [2]						
Higher Education Constitutional Bonds [3]	$15,153	$16,424	$1,796	$1,341	$1,341	$8,087
Texas Public Finance Authority Bonds	190,862	251,593	283,438	283,108	282,301	1,746,704
Park Development Bonds	1,595	1,550	1,504	1,459	1,414	13358
Agriculture Water Conservation Bonds	2,694	2,696	2,693	2,698	2,694	2,696
Water Development EDAP Bonds [4]	13,890	15,520	15,620	15,501	15,463	221,596
Water Development State Participation Bonds	7,658	7,776	7,774	7,777	7,775	291,012
Total Not Self-Supporting	$231,852	$295,559	$312,826	$311,884	$310,988	$2,283,453
Total General Obligation Bonds	$500,636	$575,240	$617,138	$609,792	$608,333	$6,572,696
Non-General Obligation Bonds						
Self-Supporting						
Permanent University Fund Bonds						
The Texas A&M University System	$17,233	$14,689	$14,686	$28,107	$28,127	$247,404
The University of Texas System	471,855	81,096	81,128	81,130	81,130	1,224,916
* College and University Revenue Bonds	448,089	408,869	401,948	394,274	384,179	4,596,147
The Texas A&M University System Revenue Bonds	94,812	88,262	87,024	84,560	81,978	737,557
Tuition Revenue Bonds	35,723	31,266	33,498	33,136	30,801	244,689
The University of Texas System Revenue Bonds	202,000	171,633	172,478	168,554	164,039	2,165,004
Tuition Revenue Bonds	48,131	53,738	53,740	53,731	53,737	677,698
The Texas Tech University System Revenue Bonds	53,444	47,713	35,869	34,531	31,991	462,878
Tuition Revenue Bonds	21,041	10,169	13,165	13,154	13,161	191,397
University of Houston System Revenue Bonds	26,690	27,911	28,294	28,893	28,867	320,800
Tuition Revenue Bonds	12,217	13,428	13,820	14,434	14,415	186,588
Texas State University System Revenue Bonds	33,634	34,208	35,237	35,147	35,158	367,738
Tuition Revenue Bonds	17,599	17,561	18,578	18,584	18,590	219,038
The University of North Texas System Revenue Bonds	15,355	15,923	17,175	17,323	16,936	249,279
Tuition Revenue Bonds	6,896	6,983	10,347	10,356	10,364	119,005
Texas Southern University Revenue Bonds	9,046	9,346	10,770	10,771	10,775	137,456
Tuition Revenue Bonds	6,303	6,607	8,028	8,025	8,029	106,796
Texas Woman's University Revenue Bonds	4,280	4,723	4,973	5,026	5,021	54,607
Tuition Revenue Bonds	2,080	2,073	2,074	2,072	2,066	26,942
Midwestern State University Revenue Bonds	2,630	2,193	2,495	2,498	2,502	32,947
Tuition Revenue Bonds	1,374	1,375	1,376	1,382	1,386	17,380
Stephen F Austin State University Revenue Bonds	3,678	4,773	5,457	4,801	4,754	55,143
Tuition Revenue Bonds	1,505	1,511	1,517	1,526	1,533	20,254
Texas State Technical College System Revenue Bonds	2,522	2,185	2,175	2,170	2,158	12,737
Tuition Revenue Bonds	1,193	857	844	839	831	11,409
Texas Dept of Housing & Community Affairs Bonds	111,213	144,012	132,562	136,569	137,906	3,934,127
Texas State Affordable Housing Corporation	43,813	34,746	34,888	34,889	34,912	949,222
Texas Small Business I D C Bonds	1,030	3,973	4,470	4,967	4,967	99,340
Economic Development Program	2,313	480	540	600	600	6,600
Texas Water Resources Finance Authority Bonds	13,987	12,591	8,286	6,862	6,130	11,792
College Student Loan Bonds	5,234	1,768	1,568	1,118	738	9,397
Texas Workers' Compensation Fund Bonds [5]	25,553	25,478	25,395	25,307	0	0
Texas Workforce Comm Unemp Compensation Bonds	87,361	177,591	209,415	206,641	207,802	204,860
Veterans' Financial Assistance Bonds	165,836	164	1,976	1,973	1,973	54,893
Texas Public Finance Authority Bonds (Special Revenue)	3,141	3,142	3,145	3,141	3,141	29,729
Texas Department of Transportation Bonds	82,924	83,391	83,391	208,321	852,551	2,397,304
Texas Water Development Bonds (State Revolving Fund)	102,121	103,577	103,478	108,902	108,775	1,521,993
Total Self Supporting	$1,581,702	$1,095,566	$1,106,876	$1,242,800	$1,852,930	$15,287,724
Not Self-Supporting [2]						
Texas Public Finance Authority Bonds	$71,234	$71,136	$71,190	63,718	61,402	$398,758
TPFA Master Lease Purchase Program	20,783	12,656	11,758	7,969	4,596	16,138
Military Facilities Commission Bonds	2,290	3,173	3,177	2,413	2,417	14,805
Parks and Wildlife Improvement Bonds	5,676	5,578	5,484	5,389	5,382	45,640
Total Not Self-Supporting	$99,983	$92,542	$91,609	$79,489	$73,798	$475,340
Total Non-General Obligation Bonds	$1,681,685	$1,188,108	$1,198,485	$1,322,289	$1,926,729	$15,763,064
Total All Bonds	$2,182,322	$1,763,349	$1,815,624	$1,932,081	$2,535,062	$22,335,760

* Amounts for Tuition Revenue Bonds are included in the Revenue Bonds totals. 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").

1. Debt-service payments in fiscal 2004 include a payment of $401 million to refinance a portion of The UT System Permanent University Fund commercial paper program and a scheduled amortization payment of $160 million for the Veterans Financial Assistance Bonds.
2. Bonds that are not self-supporting (general obligation and non-general obligation) depend solely on the state s general revenue for debt-service. Debt-service paid from general revenue for not self-supporting bonds totaled $375.5 million in fiscal 2003 and approximately $331.8 million in fiscal 2004.
3. 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.
4. Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state s general revenue fund for debt-service; however, up to 90 percent of the bonds issued may be used for grants.
5. Texas Workers Compensation Fund Bonds were economically defeased. Legally required debt-service payments are reflected in this table.

Notes The debt-service figures do not include the early redemption of bonds under the state s various loan programs. Future debt-service payments for variable-rate bonds and commercial paper programs are estimated. Detail may not add to total due to rounding.

Source Texas Bond Review Board, Office of the Executive Director

Table 12
TEXAS BONDS AUTHORIZED BUT UNISSUED
(amounts in thousands)

	08/31/01	08/31/02	08/31/03	08/31/04
General Obligation Bonds				
Self-Supporting				
Veterans' Land and Housing Bonds	$305,002	$655,002	$605,002	$505,002
Water Development Bonds	481,586	2,344,886	2,286,264	2,170,906
Farm and Ranch Loan Bonds [4]	474,000	474,000	475,000	475,000
College Student Loan Bonds	400,000	325,000	250,000	250,000
Texas Department of Economic Development Bonds	45,000	45,000	45,000	45,000
Texas Agricultural Finance Authority Bonds	21,000	21,000	19,000	19,000
Texas Military Preparedness Commission	0	0	250,000	250,000
Agricultural Water Conservation Bonds	181,000	164,840	164,840	164,840
Total Self-Supporting	**$1,907,588**	**$4,029,728**	**$4,095,106**	**$3,879,748**
Not Self-Supporting [1]				
Higher Education Constitutional Bonds	*	*	*	*
Texas Public Finance Authority [5]	49,340	1,016,235	824,483	774,077
Water Development Bonds-EDAP [2]	86,571	61,571	61,571	37,011
Water Development Bonds-State Participation Bonds	35,000	15,000	15,000	15,000
Total Not Self-Supporting	**170,911**	**1,092,806**	**901,054**	**826,088**
Total General Obligation Bonds	**$2,078,499**	**$5,122,534**	**$4,996,159**	**$4,705,836**
Non-General Obligation Bonds				
Self-Supporting				
Permanent University Fund Bonds [3]				
The Texas A&M University System	$466,149	$436,275	$406,824	$473,391
The University of Texas System	879,713	655,174	927,420	677,892
College and University Revenue Bonds	**	**	**	**
Texas Department of Housing & Community Affairs	**	**	**	**
Texas Turnpike Authority Bonds	**	**	**	**
Texas Agricultural Finance Authority Bonds	500,000	500,000	500,000	500,000
Texas Department of Economic Development Bonds	**	**	**	**
Texas State Affordable Housing Corporation	**	**	**	**
Texas Water Resources Finance Authority Bonds	**	**	**	**
Texas School Facilities Finance Program	750,000	750,000	750,000	750,000
Texas Water Development Bonds (Water Resources Fund)	**	**	**	**
Texas Workers' Compensation Fund Bonds	**	**	**	**
Texas Workforce Commission Unemp Comp Bonds	0	0	2,000,000	623,280
Nursing Home Liability Insurance	0	0	75,000	75,000
FAIR Plan	0	0	75,000	75,000
Military Facilities Commission	0	0	20,271	0
Alternative Fuels Program	50,000	50,000	50,000	50,000
Veterans' Financial Assistance Bonds	1,000,000	795,720	795,720	795,720
Texas Department of Transportation Bonds	**	**	**	**
Texas Transportation Commission Bonds	0	0	0	3,000,000
Texas Water Development Board (State Revolving Fund)	**	**	**	**
Total Self-Supporting	**$3,645,862**	**$3,187,169**	**$5,600,234**	**$7,020,283**
Not Self Supporting [1]				
Texas Public Finance Authority Bonds	$29,941	$116,337	$321,120	$259,863
TPFA Master Lease Purchase Program	66,400	43,600	84,741	94,641
Texas Military Facilities Commission Bonds	**	**	**	**
Parks and Wildlife Improvement Bonds	0	9,000	13,500	9,000
Total Not Self-Supporting	**$96,341**	**$168,937**	**$419,361**	**$363,504**
Total Non-General Obligation Bonds	**$3,742,203**	**$3,356,106**	**$6,019,595**	**$7,383,787**
Total All Bonds	**$5,820,702**	**$8,478,641**	**$11,015,755**	**$12,089,623**

* No limit on bond issuance, but debt service may not exceed $87 5 million per year
** No issuance limit has been set by the Texas Constitution Bonds may be issued by the agency without further authorization by the Legislature Bonds may not be issued, however, without the approval of the Bond Review Board and the Attorney General
1 Bonds that are not self-supporting depend solely on the state's general revenue for debt service
2 Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service; however, up to 90 percent of bonds issued may be used for grants
3 Issuance of PUF bonds by A&M is limited to 10 percent, and issuance by UT is limited to 20 percent of the cost value of investments and other assets of the PUF, except real estate The PUF value used in this table is as of August 31, 2004
4 Effective in November 1995, state voters authorized the use of $200 million of the existing $500 million Farm and Ranch Program authority for the purposes of the Texas Agricultural Finance Authority (TAFA) Of the $200 million, the Bond Review Board has approved an initial amount of $25 million for the Texas Agricultural Fund Program of TAFA
5 Includes $850 million that was authorized by state voters in November 2001; however, the Legislature has appropriated only $403,508,888 as of 8/31/04
Source: Texas Bond Review Board, Office of the Executive Director

The Texas Building and Procurement Commission, formerly the General Services Commission is party to six lease-with-option-to-purchase agreements for state agency office and warehouse facilities. Depending on the occupying agency, either all or a portion of these leases are paid from appropriated general revenue funds *(Table 13)*.

All of the equipment lease purchases approved by the Bond Review Board in fiscal 2004 were financed through the Master Lease Purchase Program and are included in the total bonds outstanding. There were no lease purchases of facilities approved by the Bond Review Board during fiscal 2003.

Table 13
SCHEDULED REAL PROPERTY LEASE-PURCHASE PAYMENTS
FROM GENERAL REVENUE BY FISCAL YEAR
(amounts in thousands)

	2004	**2005**	**2006**	**2007**	**2008**	**2009 and Beyond**
Texas Building and Procurement Commission	$3,383	$3,383	$3,383	$3,381	$3,364	$38,807
TOTAL	$3,383	$3,383	$3,383	$3,381	$3,364	$38,807

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

Chapter 4
Texas Bond Issuance Costs

Texas' state bond issuers spent an average of $745,562 per issue, or $10.08 per $1,000 on bond issues sold during the fiscal 2004.[1] *Appendix A of this report details the issuance costs associated with each of these issues.*

The Costs of Issuing Bonds

Issuance costs are composed of the fees and expenses paid to consultants and underwriters to market Texas bonds to investors. Several types of professional services commonly used in the marketing of all types of municipal securities are listed below:[2]

•Underwriter — The underwriter or underwriting syndicate acts as a dealer that purchases a new issue of municipal securities from the issuer for resale to investors. The underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding. In a negotiated sale, the underwriter may also have a significant role in the structuring of the issue.

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

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

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

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

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

Issuance Costs for Texas Bond Issuers

The largest portion of the costs associated with the issuance of bonds is the fee paid to the underwriter, known as the "underwriter's spread." This spread is paid to the underwriter as compensation for purchasing the bonds from the issuer and reselling them in the bond market. The spread also contains a risk premium to compensate the underwriter for market risk of

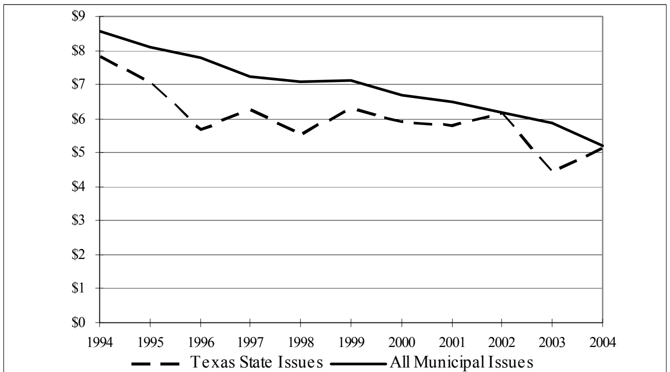
Table 14
AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES

	Fiscal 2003		Fiscal 2004	
	Average Cost Per Bond Issue	Average Cost Per $1,000 of Bonds Issued	Average Cost Per Bond Issue	Average Cost Per $1,000 of Bonds Issued
Average Issue Size (In Millions)	$108 0		$120 9	
Underwriter's Spread	$446,558	$4 42	$396,243	$5 13
Other Issuance Costs:				
Bond Counsel	71,188	1 53	64,051	1 73
Financial Advisor	48,698	1 25	48,626	1 55
Rating Agencies	47,729	0 66	48,180	0 94
Printing	6,935	0 10	2,733	0 08
Other	273,983	0 44	185,729	0 65
Subtotal	$448,533	$3 98	$349,319	$4 95
Total	$895,090	$8 40	$745,562	$10 08

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

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

Figure 9
GROSS UNDERWRITING SPREADS: 1994-2004
Texas State Bond Issues vs. All Municipal Bond Issues



Note: 2004 Municipal figures are for the first six months only Amounts represent dollars per $1,000 face value of bond issues Gross spreads include managers' fees, underwriting fees, average takedowns, and expenses Private placements, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded
Sources: *The Bond Buyer* (8/09/04), Thomson Financial Securities, and Texas Bond Review Board, Office of the Executive Director

the underwriting and an amount to cover the expenses associated with the marketing of the bonds.

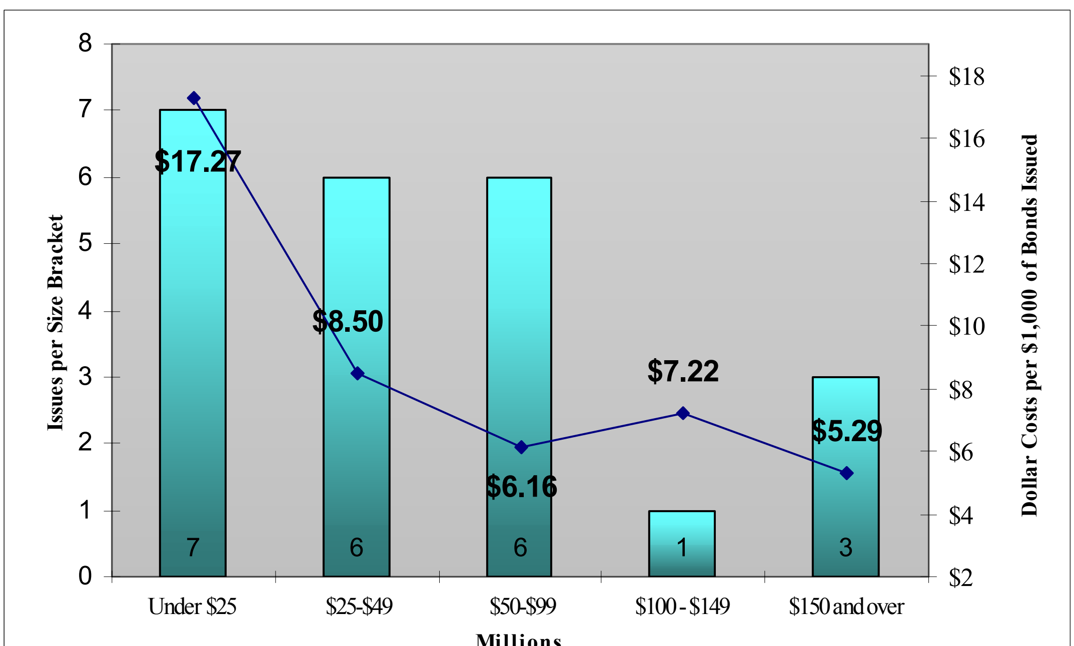
In fiscal 2004, the underwriter's spread accounted for just over 53% of all issuance costs *(Table 14*). This percentage is higher than in the previous year. The cost of the average underwriter's spread per issue decreased slightly from $446,558 in fiscal 2003 to $396,243 in fiscal 2004. However, when measured on a per $1,000 basis, the $5.13 average underwriter spread paid in fiscal 2004 is also somewhat higher than the $4.42 reported in fiscal 2003.

Other costs of issuance consist primarily of bond counsel fees, financial advisor fees, rating agency fees and printing costs. These costs averaged $349,319 per issue or $4.95 per $1,000 compared to $448,533, or $3.98 per $1,000 in fiscal 2003.

Gross spreads paid to underwriters on a national basis compared to those paid by Texas issuers reveals that the state's bond issuers paid slightly lower underwriting fees than the national average *(Figure 9)*. Data published by Thomson Financial Securities Data shows that spreads paid by issuers nationally have averaged $5.22 per $1,000 compared to Texas' simple average of $5.13 per $1,000. Texas' underwriting fees were higher than in 2003 when the spread was $4.42 per $1,000. The spread in 2004 is closer to a level that was maintained in Texas from 1996 through 2002.

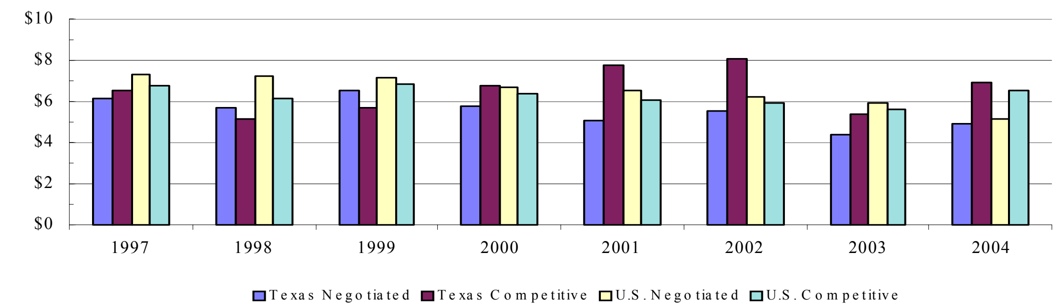
The decrease in average costs and the increase in the costs per $1,000 are explained by the fact that fiscal 2004 saw far more small-sized issues in contrast to fiscal 2003 when almost half of the non-conduit issues had a par amount that was over $100 million. For fiscal 2004, most of Texas' competitive issues were

Figure 10
2004 AVERAGE ISSUANCE COSTS
for Texas Bond Issues by Size of Issue



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

Figure 11
GROSS UNDERWRITING SPREADS: 1997-2004
Negotiated vs. Competitive Municipal Issues



Note: 2004 U.S. figures are for the first six months only. Amounts represent dollars per $1,000 face value of bond issues. Gross spreads include manager's fees, underwriting fees, average takedowns, and expenses. Private placements, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded.

Sources: *The Bond Buyer* (8/09/04), Thomson Financial Securities, and Texas Bond Review Board, Office of the Executive Director.

smaller in size than the negotiated issues with average sizes of $24.7 million and $153.4 million, respectively.

Comparison of Issuance Costs by Size

In general, larger bond issues have a higher cost of issuance than smaller ones; however, larger issues have a lower cost of issuance as a percentage of the size of the bond issue. This occurs because certain fixed costs of issuance do not vary proportionately with the size of a bond issue. For example, professional fees for legal services, financial advisory services and document drafting remain fixed regardless of the size of the bond issue.

Texas bond issues followed this general pattern; the smaller issues were proportionally more costly than the larger issues (*Figure 10*). In fiscal 2004, total issuance costs for bond issues of less than $25 million averaged $219,437 per issue or $17.27 per $1,000. Costs for the larger issues of over $150 million averaged $2,742,536 per issue or $5.29 per $1,000. On the basis of cost per $1,000, the costs of the larger issues are less than a third the cost of smaller issues.

Negotiated Versus Competitive Sales

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

In a competitive sale, sealed bids or electronic bids from a number of underwriters are opened on a predetermined sale date 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 cannot be sure (until the day the bids are opened) that they have been awarded the underwriting contract.

Advantages of the competitive bid include: 1) a competitive environment where market forces determine the price; 2) historically lower spreads; and 3) an open process. Disadvantages of the competitive sale include: 1) limited timing and structuring flexibility; 2) minimum control over the distribution of bonds; and 3) the likelihood that underwriters will include a risk premium in their bids to compensate for uncertainty regarding market demand.

The conditions that favor a competitive sale are a stable, predictable market in which market demand for the securities can be relatively easily determined. Stable market conditions lessen the underwriters' risk of holding unsold balances. Market demand is generally easier to assess for securities: 1) that are issued by well-known, highly-rated issuers that regularly access the public market; 2) that are conventionally structured, such as serial and term coupon bonds; 3) and that 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.

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

Disadvantages of negotiated sales are a lack of competition in pricing and the possible appearance of favoritism. In addition, fluctuation in underwriting spreads for comparable negotiated transactions may be wider than for competitive transactions.

Conditions suggesting a negotiated sale are market volatility and securities for which market demand is difficult to ascertain. This includes securities issued by an infrequent issuer or an issuer with credit rating problems or securities that contain innovative structuring, derivatives or other complexities. These conditions generally favor a negotiated method of sale.

Comparisons of the spreads paid on Texas negotiated and competitive transactions in fiscal 2004 reveal that bond issues sold in the competitive market had much higher underwriting costs than the negotiated transactions *(Figure 11)*. During fiscal 2004, Texas bond issuers paid an average of $4.89 per $1,000 through negotiated sales, and $6.93 per $1,000 through competitive bids. Compared to the national averages compiled by Thomson Financial Securities Data which recorded averages of $5.14 per $1,000 for negotiated transactions and $6.53 per $1,000 for competitive transactions, Texas shows to be slightly higher than the national average range in competitive sales and slightly lower in negotiated sales. For fiscal 2004, most of Texas' competitive issues were smaller issues with an average size of $24.7 million while the negotiated issues had an average size of over $153.4 million.

Theoretically, the competitive gross spread provides the underwriter with compensation for the risk of purchasing and distributing of bonds, but it does not include significant components that are specific to a negotiated spread such as management fees or fees for underwriters' counsel. As negotiated gross spreads are now sometimes below competitive gross spreads, it appears that bonds sold through negotiation may be priced with a reduced risk premium compared to that usually found in competitive transactions because underwriters have sufficient time in negotiated transaction to accurately assess the market before the underwriting occurs.

Issuers should focus primarily on how their bonds are being priced in the market and focus secondarily on the underwriting spread. Issuers need to be cognizant of the possibility that reducing the takedown (selling) component of the spread may reduce the sales effort needed to successfully market their bond issue which may result in a lower price (higher yield) for their bonds.

Trends in State Bond Issuance Costs in 2004

In order to determine trends in issuance costs, it is important to review the characteristics of the 23 bond transactions (exclusive of conduit issues) that occurred in fiscal 2004. Five of those issues were sold competitively for amounts under $47 million. Of the seventeen negotiated transactions, only five of which were less than $25 million, and one issue was a private placement. The total issuance costs for the competitive and negotiated issues averaged $12.84 per $1,000 and $9.54 per $1,000, respectively.

With only five competitive transactions completed in fiscal 2004, a comparison of the average issuance costs per $1,000 on negotiated and competitive bond issues is imprecise. In addition to the problem of small sample size, smaller bond issues tend to have higher costs of issuance because certain fixed costs are incurred irrespective of issue size. This latter point can be demonstrated by separating the total cost of issuance into its component parts: underwriters' spread and issuance costs. In fiscal 2004, transactions bid competitively had an average spread of $6.93 per $1,000 and average issuance costs of $5.90 per $1,000 for a total cost of issuance of $12.84 per $1,000. Negotiated issues, however, had an average spread of $4.89 per $1,000 and average issuance costs of $4.66 per $1,000 for a total of $9.54 per $1,000.

The purpose of this synopsis is to analyze recent trends in issuance costs by comparing competitive and negotiated transactions. However, a definitive conclusion regarding the most cost efficient method of sale for Texas bonds cannot be drawn from such a limited number of bond issues with such large disparities in issue size.

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

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

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

Chapter 5
Texas Private Activity Bond Allocation Program

Texas experienced an increase in volume cap for the 2004 Private Activity Bond Allocation Program. The 2004 volume cap was set at $1,769,480,721, an increase of almost $134 million (8.3%) from the 2003 cap of $1,633,491,975. Applications received for program year 2004 totaled $4.37 billion, and unlike previous years, virtually all of the $4.37 billion was offered a reservation through initial offerings, recycled portions and allocation carryforwards from earlier years.

The Allocation Program

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

The Tax Act also restricts the types of privately-owned, public purpose projects that can take advantage of tax-exempt financing. The types of issues authorized are mortgage revenue bonds (MRBs), small-issue industrial development bonds (IDBs), certain state-voted bond issues, student loan bonds and a variety of exempt facilities, including qualified residential rental projects (multifamily housing), sewage facilities, solid waste disposal facilities and hazardous waste disposal facilities. Besides non governmental airports, projects allowed under exempt facilities have increased over recent years to include high-speed inter-city rail facilities, environmental enhancements of hydroelectric generating facilities or qualified public educational facilities

In addition, the Tax Act imposes a volume ceiling on the aggregate principal amount of tax-exempt private activity bonds that may be issued within each state during any calendar year. The ceiling was initially set at the greater of $50 per capita or $150 million. Section 146(e) of the Internal Revenue Code also provides for each state to devise an allocation formula or a process for allocating the state's ceiling. This provision gives each state the ability to allocate this limited resource in a manner consistent with 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 regulates the volume ceiling and monitors the amount of demand and the use of private activity bonds each year. The Texas Bond Review Board has administered this program since January 1, 1992.

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

Major Legislative Changes

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

• 25% for single family housing to issuers of qualified mortgage revenue bonds (MRBs). Of that amount, one-third will continue to be set aside for the Texas Department of Housing and Community Affairs (TDHCA) with the other two-thirds dedicated to local issuers. Local issuers may apply for an amount determined by a formula based on population, but in no event for more than a maximum of $25 million per year.

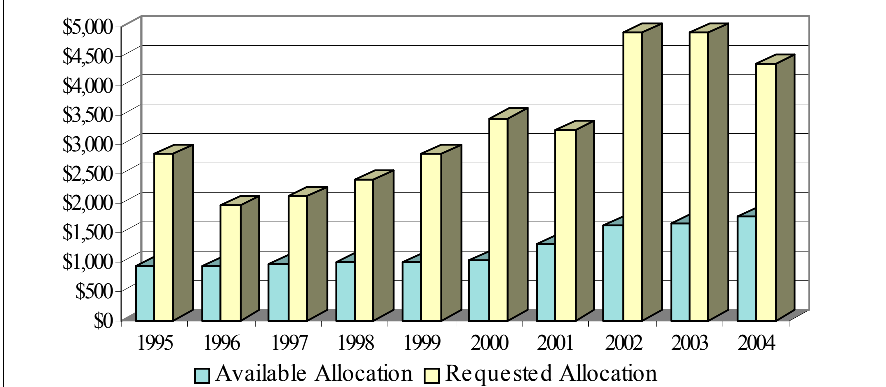
• 11% for issuers authorized by a state constitutional amendment. The Texas Higher Education Coordinating Board may apply for a

Table 15
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2004 Set-Aside vs. Issued Allocation Amounts
(as of November 24, 2004)

SUBCEILINGS	SET-ASIDE ALLOCATION	PERCENT OF TOTAL	ISSUED ALLOCATION	PERCENT OF TOTAL
Single Family Housing	$ 495,454,602	28.00%	$ 352,404,144	19.92%
State-Voted Issues	141,558,458	8.00%	25,000,000	1.41%
Small Issue IDBs	35,389,614	2.00%	10,000,000	0.57%
Multifamily Housing	389,285,759	22.00%	311,510,000	17.60%
Student Loan Bonds	185,795,476	10.50%	185,600,000	10.49%
All Other Issues	521,996,812	29.50%	126,855,000	7.17%
TOTALS	**$ 1,769,480,721**	**100.00%**	**$ 1,011,369,144**	**57.16%**

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

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



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

• Subceiling #1 Mortgage Revenue Bonds: Increased from 25 to 29.6%

• Subceiling #2 State-Voted Issues: Decreased from 11 to 8%

• Subceiling #3 Qualified Small-Issue IDBs: Decreased from 7.5 to 4.6%

• Subceiling #4 Multifamily Revenue Bonds: Increased from 16.5 to 23%

• Subceiling #5 Student Loan Bonds: Decreased from 10.5 to 8.8%

• Subceiling #6 All Other Issues: Decreased from 29.5 to 26%.

maximum of $75 million per year while other issuers eligible in this category are limited to a maximum of $50 million per year.

• 7.5% for issuers of qualified, small-issue industrial development bonds (IDBs) and empowerment zone bonds (EZ bonds) for use in federally designated empowerment zones and enterprise communities. The maximum allocation amount in this subceiling is $10 million per year

• 16.5% for issuers of qualified residential rental project issue bonds (multi-family housing). Issuers within this category may apply for a maximum amount of the lesser of $15 million or 15% of the amount set aside for this subceiling per project.

• 10.5% for issuers of qualified student loan bonds authorized by §53.47, Texas Education Code.

• 29.5% for issuers of "all other" bonds requiring an allocation. This subceiling receives applications from local issuers of exempt facility bonds and any other eligible bonds not covered by the other subceilings. Applications in this subceiling may not exceed $25 million per year.

On August 15th all six subceilings collapse, after which any unreserved or unallocated amounts are combined and made available exclusively for the multi-family applications, in priority order until August 31st. Any amounts available on or after September 1st are then offered to remaining applications by lot, regardless of project type or priority.

State legislation passed during the 77th Legislative Session shifted the distribution of state's ceiling once again *(Figure 12)*. Senate Bill 322 established new set-aside percentages for the state's six subceilings that took effect for the 2002 Private Activity Bond Allocation Program. Those set-aside percentages currently remain in effect:

House Bill 3451 passed during the 77th Legislative Session dedicated $25 million per year out of subceiling #1 to the Texas State Affordable Housing Corporation (TSAHC) to initiate a Teacher Home Loan Program. Proceeds from the sale of bonds are to be used to provide low-interest loans and down-payment assistance to first-time, home-buying teachers residing in the state.

The 78th Legislative Session dedicated $25 million per year out of subceiling #1 for TSAHC to create the Firefighter and Police Officer Home Loan Program. House Bill 3329 dedicated 2% of subceiling #6 until August 15th specifically to projects that would promote the development of new drinking water sources. House Bill 3329 further dedicated one-third of the volume cap available to subceiling #3 to the Texas Agricultural Finance Authority until June 1st of each year.

With the exception of single family housing and student loan bonds, reservations of state ceilings are allocated by lottery for applications received from October 5 – October 20 of the year preceding the program year, and thereafter on a first-come, first-serve basis. Single family housing and student loan bonds have a separate priority system based on prior applications and prior bond issues. This system is used exclusively within these two subceilings and is in place from January through August 14th of each year. As previously noted, on August 15th of each year, unreserved allocation from all the subceilings is now combined and redistributed to qualified residential rental projects, and on September 1st, unreserved allocation from all subceilings is combined and redistributed by lot, regardless of project type or priority.

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

Volume Cap

The state of Texas is second only to California in population and resulting volume cap. Texas once again experienced an increase in volume cap for the 2004 Private Activity Bond Allocation Program. Based on the Texas population, the 2004 volume cap was set at $1,769,480,721, an increase of almost $134 million (8.3%) from the 2003 cap of $1,633,491,975.

The increase in the amount of cap allocation can be attributed not only to the growth of the state's population, but also to new federal legislation that increased the per-capita formula. On December 20, 2000, new legislation was passed that accelerated the increase in private-activity volume cap, the first such increase since the Tax Reform Act of 1986. The cap phase-in began January 1, 2001 when the limit was increased from $50 per capita to $62.50 per capita. The second part of the plan occurred in January, 2002 when the cap multiplier increased to $75 per capita or $225 million, whichever is greater. While the cap was indexed to inflation beginning in 2003, inflation levels in 2003 remained lower than the minimum federal requirement to boost the multiplier, and thus the formula remained at $75 per capita for 2003 and 2004.

Despite Texas' increased volume cap in 2004, demand again far exceeded the funds available for the allocation program. The program in Texas has been oversubscribed each year since 1988 *(Figure 13)*. Applications received for program year 2004 totaled $4.37 billion, or 247% of the available allocation amount *(Table 16)*. Unlike previous years, almost all of the $4.37 billion was offered a reservation through initial offerings, recycled portions and allocation carryforwards from earlier years.

Table 16
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2004 Applications for Allocation

SUBCEILINGS	Available Allocation	Requested Allocation	Requests as a % of Availability
Mortgage Revenue Bonds	$ 495,454,602	$657,417,747	132.69%
State-Voted Issue Bonds	141,558,458	25,000,000	17.66%
Industrial Development Bonds	35,389,614	18,100,000	51.14%
Multifamily Rental Project Bonds	389,285,759	2,857,480,667	734.03%
Student Loan Bonds	185,795,476	316,795,477	170.51%
All Other Bonds Requiring Allocation	521,996,812	494,524,000	94.74%
TOTALS	$1,769,480,721	$4,369,317,891	246.93%

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

Appendix A
Summary of Bonds Issued

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (NHP Foundation – Asmara Project), Series 2003 - $31,500,000

Purpose: The proceeds of the bonds were used to refund the Department's outstanding Multifamily Mortgage Revenue Bonds (NHP Foundation – Asmara Project), Series 1996 and for paying costs of issuance.

Dates:

Board Approval -	March 20, 2003
Negotiated Sale -	December 15, 2003
Closing Date -	December 15, 2003

Structure: The Series 2003 bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on July 1, 2033. The bonds are insured by Freddie Mac.

Bond Ratings:

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

Interest Cost:

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

Consultants:

Bond Counsel -	Vinson & Elkins L.L P.
Financial Advisor -	RBC Dain Rauscher
Underwriter -	JP Morgan Securities

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$180,580	$5.73
Financial Advisor	45,000	1.43
Rating Agency	16,500	0.52
Printing	6,000	0.19
Trustee	13,000	0.41
Trustee Counsel	5,000	0.16
Disclosure Counsel	5,000	0.16
Attorney General	1,250	0.04
Private Activity Fee	7,875	0.25
TDHCA Fees	124,625	3.96
Cash Flow Preparation	3,000	0.10
	$407,830	**$12.95**
Underwriter's Spread	**$275,625**	**$8.75**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Single Family Mortgage Revenue Refunding Bonds, Series 2004A, Single Family Variable Rate Mortgage Revenue Refunding Bonds, Series 2004B, and Taxable Junior Lien Single Family Variable Rate Mortgage Revenue Bonds, Series 2004A - $180,750,000

Purpose: The proceeds of the Series 2004A and 2004B bonds were used to refund the Department's tax-exempt Series A and C commercial paper notes, thereby providing funds for the purchase of mortgage-backed pass-through certificates. The Taxable Junior Lien Series 2004A bonds were being issued for the primary purpose of providing down-payment assistance to eligible borrowers.

Dates:

Board Approval -	March 18, 2004
Negotiated Sale -	March 31, 2004
Closing Date -	April 28, 2004

Structure: The Series 2004A bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on September 1, 2035. The Series 2004B bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on September 1, 2034. The Taxable Junior Lien Single Family Variable Rate Mortgage Revenue Bonds, Series 2004A were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on September 1, 2036. The bonds are insured by Financial Security Assurance, Inc.

Bond Ratings:

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

Interest Cost:	2004A	2004B/Jr.Lien
True Interest Cost (TIC) -	4.29%	Variable
Net Interest Cost (NIC) -	4.22%	Variable

Consultants:

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

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$187,823	$1.04
Financial Advisor	108,450	0.60
Trustee	10,500	0.06
Trustee Counsel	11,500	0.06
Disclosure Counsel	105,000	0.58
Attorney General	2,500	0.01
Printing	10,170	0.06
Escrow Verification	23,000	0.13
Rating Agencies	105,092	0.58
	$564,035	**$3.12**
Underwriter's Spread	**$994,147**	**$5.50**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Humble Parkway Townhomes), Series 2004 - $11,700,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Humble Parkway Apartments L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 216-unit multifamily residential rental development located in Houston, Texas.

Dates:

Board Approval -	January 12, 2004
Negotiated Sale -	February 3, 2004
Closing Date -	February 3, 2004

Structure: The Series 2004 bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on January 1, 2041.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.60%
Net Interest Cost (NIC) -	6.60%

Consultants:

Bond Counsel -	Vinson & Elkins L.L P.
Financial Advisor -	RBC Dain Rauscher
Underwriter -	Merchant Capital L.L.C.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$80,000	$6.84
Financial Advisor	35,000	2.99
Trustee	9,050	0.77
Trustee Counsel	5,500	0.47
Disclosure Counsel	2,500	0.21
Attorney General	1,250	0.11
Private Activity Fee	4,250	0.36
TEFRA Notice Publication	5,000	0.43
TDHCA Fees	77,134	6.59
	$219,684	**$18.77**
Underwriter's Spread	**$221,500**	**$18.93**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Parkview Townhomes), Series 2004A&B - $16,600,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Chicory Court IV L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 248-unit multifamily residential rental development located in Arlington, Texas.

Dates:

Board Approval -	December 15, 2003
Private Placement -	December 23, 2003
Closing Date -	December 23, 2003

Structure: The Series 2004A bonds were privately placed with Charter Municipal Mortgage Acceptance Company (Charter Mac) as fixed-rate, tax-exempt securities maturing on December 1, 2043. The Series 2004B bonds were also privately placed with Charter Mac as fixed-rate, taxable securities maturing on February 1, 2019.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.70%
Net Interest Cost (NIC) -	6.65%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$70,000	$4.22
Financial Advisor	30,000	1.81
Trustee	9,050	0.55
Trustee Counsel	5,500	0.33
Disclosure Counsel	2,500	0.15
Attorney General	2,500	0.15
Private Activity Fee	4,250	0.26
TEFRA Notice Publication	2,500	0.15
TDHCA Fees	103,920	6.26
	$230,220	**$13.88**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Timber Ridge Apartments), Series 2004A&B - $7,500,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Timber Ridge Housing II L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 124-unit multifamily residential rental development located in Houston, Texas.

Dates:

Board Approval -	December 15, 2003
Private Placement -	January 6, 2004
Closing Date -	January 6, 2004

Structure: The Series 2004A bonds were privately placed with GMAC Commercial Holding Capital Corporation (GMAC) as fixed-rate, tax-exempt securities maturing on February 1, 2037. The Series 2004B bonds were also privately placed with GMAC as fixed-rate, taxable securities maturing on March 1, 2017.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.81%
Net Interest Cost (NIC) -	6.74%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$66,500	$8.87
Financial Advisor	25,000	3.33
Trustee	9,050	1.21
Trustee Counsel	5,500	0.73
Disclosure Counsel	2,500	0.33
Attorney General	2,500	0.33
Private Activity Fee	4,500	0.60
TEFRA Notice Publication	1,500	0.20
TDHCA Fees	51,600	6.88
	$168,650	**$22.48**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Providence at Veterans Memorial Apartments), Series 2004A&B - $16,300,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Trails of Sycamore Townhomes L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 250-unit multifamily residential rental development located in Houston, Texas.

Dates:

Board Approval -	January 12, 2004
Private Placement -	January 13, 2004
Closing Date -	January 27, 2004

Structure: The Series 2004A bonds were privately placed with Charter Municipal Mortgage Acceptance Company (Charter Mac) as fixed-rate, tax-exempt securities maturing on January 1, 2044. The Series 2004B bonds were also privately placed with Charter Mac as fixed-rate, taxable securities maturing on August 1, 2017.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.68%
Net Interest Cost (NIC) -	6.64%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$70,000	$4.29
Financial Advisor	30,000	1.84
Trustee	8,000	0.49
Trustee Counsel	5,000	0.31
Disclosure Counsel	2,500	0.15
Attorney General	2,500	0.15
Private Activity Fee	4,250	0.26
TEFRA Notice Publication	2,500	0.15
TDHCA Fees	98,750	6.06
	$223,500	**$13.70**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Bristol Apartments), Series 2004 - $12,625,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Bristol Apartments L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 248-unit multifamily residential rental development located in Houston, Texas.

Dates:

Board Approval -	May 13, 2004
Negotiated Sale -	May 27, 2004
Closing Date -	May 28, 2004

Structure: The Series 2004 bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on June 15, 2037. The bonds are insured by Fannie Mae.

Bond Ratings:

Moody's -	Aaa/VMIG 1

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$5.94
Financial Advisor	25,000	1.98
Rating Agency	5,400	0.43
Printing	2,000	0.16
Trustee	5,000	0.40
Trustee Counsel	10,000	0.79
Disclosure Counsel	5,000	0.40
Attorney General	2,500	0.20
Private Activity Fee	8,250	0.65
TDHCA Fees	105,575	8.36
	$243,725	**$19.31**
Underwriter's Spread	**$126,250**	**$10.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Pinnacle Apartments), Series 2004 - $14,500,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Pinnacle Apartments L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 248-unit multifamily residential rental development located in Cypress, Texas.

Dates:

Board Approval -	May 13, 2004
Negotiated Sale -	May 27, 2004
Closing Date -	May 28, 2004

Structure: The Series 2004 bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on June 15, 2044. The bonds are insured by Fannie Mae.

Bond Ratings:

Moody's -	Aaa/VMIG 1

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$5.17
Financial Advisor	25,000	1.72
Rating Agency	13,500	0.93
Printing	2,000	0.14
Trustee	5,000	0.34
Trustee Counsel	10,000	0.69
Disclosure Counsel	5,000	0.34
Attorney General	2,500	0.17
Private Activity Fee	8,750	0.60
TDHCA Fees	118,700	8.19
	$265,450	**$18.29**
Underwriter's Spread	**$145,000**	**$10.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Montgomery Pines Apartments), Series 2004 - $12,300,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Greens Parkway Partners L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 224-unit multifamily residential rental development located in Porter, Texas.

Dates:

Board Approval -	May 13, 2004
Negotiated Sale -	May 26, 2004
Closing Date -	May 27, 2004

Structure: The Series 2004 bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on June 15, 2044. The bonds are insured by Fannie Mae.

Bond Ratings:

Moody's -	Aaa/VMIG 1

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$6.10
Financial Advisor	25,000	2.03
Rating Agency	13,500	1.10
Printing	2,000	0.16
Trustee	4,750	0.39
Trustee Counsel	10,000	0.81
Disclosure Counsel	5,000	0.41
Attorney General	2,500	0.20
Private Activity Fee	8,075	0.66
TDHCA Fees	102,700	8.35
	$248,525	**$20.21**
Underwriter's Spread	**$123,000**	**$10.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Sphinx at Delafield), Series 2004 - $11,380,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to St. Augustine Villas Housing Partners L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 204-unit multifamily residential rental development located in Dallas, Texas.

Dates:

Board Approval -	June 22, 2004
Negotiated Sale -	July 8, 2004
Closing Date -	July 13, 2004

Structure: The Series 2004 bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on January 20, 2044. The bonds are insured by Ginnie Mae.

Bond Ratings:

Moody's -	Aaa

Interest Cost:

True Interest Cost (TIC) -	5.27%
Net Interest Cost (NIC) -	5.28%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$6.59
Financial Advisor	25,000	2.20
Rating Agency	12,500	1.10
Printing	2,000	0.18
Trustee	8,552	0.75
Trustee Counsel	5,500	0.48
Disclosure Counsel	5,000	0.44
Attorney General	1,250	0.11
Private Activity Fee	8,400	0.74
TDHCA Fees	96,080	8.44
	$239,282	**$21.03**
Underwriter's Spread	**$113,800**	**$10.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Chisholm Trail Apartments), Series 2004 - $12,000,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Rankin Housing Partners L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 228-unit multifamily residential rental development located in Houston, Texas.

Dates:

Board Approval -	March 16, 2004
Negotiated Sale -	March 29, 2004
Closing Date -	March 30, 2004

Structure: The Series 2004 bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on April 15, 2037. The bonds are insured by Fannie Mae.

Bond Ratings:

Moody's -	Aaa/VMIG 1

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$6.25
Financial Advisor	20,000	1.66
Rating Agency	13,500	1.13
Trustee	4,750	0.40
Trustee Counsel	10,000	0.83
Disclosure Counsel	5,000	0.42
Attorney General	2,500	0.21
Private Activity Fee	3,875	0.32
TDHCA Fees	100,700	8.39
Other	2,000	0.17
	$237,325	**$19.78**
Underwriter's Spread	**$108,000**	**$9.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Adjustable/Fixed Rate Revenue Bonds (Addison Park Apartments), Series 2004 - $14,000,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Arlington Partners L.P., a Mississippi limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 224-unit multifamily residential rental development located in Arlington, Texas.

Dates:

Board Approval -	January 12, 2004
Negotiated Sale -	January 20, 2004
Closing Date -	January 21, 2004

Structure: The Series 2004 bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on December 1, 2036. The Series 2003B bonds were sold on a negotiated basis as variable-rate, taxable securities maturing on January 1, 2044.

Bond Ratings:

Standard & Poor's -	A-/A-2

Interest Cost:

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

Consultants:

Bond Counsel -	Vinson & Elkins L.L P.
Financial Advisor -	RBC Dain Rauscher
Underwriter -	Merchant Capital L.L.C.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$5.36
Financial Advisor	25,000	1.79
Rating Agency	10,000	0.71
Trustee	8,000	0.57
Trustee Counsel	5,500	0.39
Disclosure Counsel	5,000	0.36
Attorney General	12,500	0.89
Private Activity Fee	4,250	0.30
TDHCA Fees	86,600	6.19
Other	2,500	0.18
	$234,350	**$16.74**
Underwriter's Spread	**$112,000**	**$8.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Multifamily Housing Revenue Bonds (Arlington Villas Apartments), Series 2003A and Taxable Series 2003B - $17,100,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to TX Hampton Villas L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 280-unit multifamily residential rental development located in Arlington, Texas.

Dates:

Board Approval -	October 23, 2003
Negotiated Sale -	October 30, 2003
Closing Date -	October 31, 2003

Structure: The Series 2003A bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on December 1, 2036. The Series 2003B bonds were sold on a negotiated basis as variable-rate, taxable securities maturing on July 1, 2022. The bonds are insured by Bank of America, N.A.

Bond Ratings:

Moody's -	Aa1/VMIG 1

Interest Cost:

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

Consultants:

Bond Counsel -	Vinson & Elkins L.L P.
Financial Advisor -	RBC Dain Rauscher
Underwriter -	Eichner & Norris PLLC

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$100,000	$5.85
Financial Advisor	25,000	1.46
Rating Agency	5,800	0.34
O.S. Preparation	3,500	0.20
Trustee	11,700	0.68
Trustee Counsel	6,500	0.38
Disclosure Counsel	5,000	0.30
Attorney General	2,500	0.15
Private Activity Fee	4,500	0.26
TDHCA Fees	103,500	6.05
Other		
	$268,000	**$15.67**
Underwriter's Spread	**$128,250**	**$7.50**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Century Park Townhomes), Series 2004A and Subordinate Series 2004B - $13,000,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Century Park Apartments, L.P., a Texas limited partnership, to finance a portion of the costs of acquiring, constructing and equipping of a new, 240-unit multifamily residential housing facility located in Austin, Texas.

Dates:

Board Approval -	December 15, 2003
Negotiated Sale -	January 13, 2004
Closing Date -	January 13, 2004

Structure: The Series 2004A bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on June 1, 2037. The Series 2004B bonds were privately placed with William R Hough and Co. and are fixed-rate, tax-exempt securities maturing on May 1, 2037. The bonds are insured by Ambac Assurance Corporation.

Bond Ratings:

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

Interest Cost:	**2004A**	**2004B**
True Interest Cost (TIC) -	Variable	5.95%
Net Interest Cost (NIC) -	Variable	5.95%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$80,000	$6.15
Financial Advisor	35,000	2.69
Rating Agencies	25,000	1.92
Trustee	5,968	0.46
Trustee Counsel	5,500	0.42
Disclosure Counsel	5,000	0.39
Private Activity Fee	4,250	0.33
TDHCA Fees	98,301	7.57
TEFRA Notice Publication	2,500	0.19
Other	10,000	0.77
	$271,519	**$20.89**
Underwriter's Spread	**$156,000**	**$12.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Evergreen at Plano Parkway), Series 2004 - $14,750,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to PWA-Plano Independence Senior Community, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 250-unit multifamily residential housing facility located in Plano, Texas.

Dates:

Board Approval -	May 20, 2004
Private Placement -	May 26, 2004
Closing Date -	May 26, 2004

Structure: The Series 2004 bonds were privately placed with MuniMae TEI Holdings, LLC, as fixed-rate, tax-exempt securities maturing on May 1, 2044.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.41%
Net Interest Cost (NIC) -	6.49%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$4.41
Financial Advisor	20,000	1.36
Trustee	4,180	0.28
Trustee Counsel	4,180	0.28
Disclosure Counsel	2,500	0.17
Private Activity Fee	8,750	0.59
TDHCA Fees	120,500	8.17
TEFRA Notice Publication	7,750	0.53
Attorney General	1,250	0.08
	$234,110	**$15.87**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Tranquility Bay Apartments), Series 2004 - $14,350,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Tranquility Housing Ltd., to finance the acquisition, construction, equipping and long-term financing of a new, 246-unit multifamily residential housing facility in Pearland, Texas.

Dates:

Board Approval -	June 8, 2004
Private Placement -	June 30, 2004
Closing Date -	June 30, 2004

Structure: The Series 2004 bonds were privately placed with MuniMae (MMA Financial Warehousing) as fixed-rate, tax-exempt securities maturing on June 1, 2044.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.30%
Net Interest Cost (NIC) -	6.41%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$4.53
Financial Advisor	25,000	1.74
Trustee	4,500	0.31
Trustee Counsel	4,000	0.28
Disclosure Counsel	2,500	0.17
Private Activity Fee	8,650	0.60
TDHCA Fees	122,833	8.56
TEFRA Notice Publication	12,600	0.88
Attorney General	1,250	0.09
	$246,333	**$17.16**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Providence at Rush Creek II Apartments), Series 2004 - $10,000,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Chicory Court XV L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 144-unit multifamily residential housing facility located in Arlington, Texas.

Dates:

Board Approval -	January 15, 2004
Private Placement -	January 29, 2004
Closing Date -	January 29, 2004

Structure: The Series 2004 bonds were privately placed with MuniMae TEI Holdings, LLC, as fixed-rate, tax-exempt securities maturing on June 1, 2044.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.57%
Net Interest Cost (NIC) -	6.64%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$70,000	$7.00
Financial Advisor	25,000	2.50
Trustee	8,500	0.85
Trustee Counsel	6,000	0.60
Disclosure Counsel	2,500	0.25
Private Activity Fee	3,000	0.30
TDHCA Fees	68,200	6.82
TEFRA Notice Publication	7,750	0.78
Attorney General	1,250	0.13
	$192,200	**$19.23**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Post Oak East Apartments), Series 2004A&B - $13,600,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Post Oak East Apartments L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 246-unit multifamily residential housing facility located in Fort Worth, Texas.

Dates:

Board Approval -	July 20, 2004
Negotiated Sale -	July 26, 2004
Closing Date -	July 27, 2004

Structure: The Series 2004A bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on August 15, 2037. The Series 2004B bonds were sold on a negotiated basis as variable rate, taxable securities maturing on August 15, 2037. The bonds are insured by Fannie Mae.

Bond Ratings:

Moody's -	Aaa/VMIG 1

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$5.51
Financial Advisor	25,000	1.84
Rating Agency	13,500	0.99
Printing	2,000	0.15
Trustee	5,000	0.37
Trustee Counsel	10,000	0.74
Disclosure Counsel	5,000	0.37
Attorney General	2,500	0.18
Private Activity Fee	8,250	0.61
TDHCA Fees	111,344	8.19
Other	20,000	1.47
	$277,594	**$20.42**
Underwriter's Spread	**$131,000**	**$9.64**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Churchill at Pinnacle Park), Series 2004 - $10,750,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Churchill at Pinnacle Park L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 200-unit multifamily residential housing facility located in Dallas, Texas.

Dates:

Board Approval -	July 12, 2004
Private Placement -	July 14, 2004
Closing Date -	July 14, 2004

Structure: The Series 2004 bonds were privately placed with MuniMae TEI Holdings, LLC, as fixed-rate, tax-exempt securities maturing on July 1, 2044.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.40%
Net Interest Cost (NIC) -	6.48%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$6.05
Financial Advisor	25,000	2.33
Trustee	5,500	0.51
Trustee Counsel	3,250	0.30
Disclosure Counsel	2,500	0.23
Private Activity Fee	7,688	0.72
TDHCA Fees	96,250	8.95
TEFRA Notice Publication	12,600	1.17
Attorney General	1,250	0.12
	$219,038	**$20.38**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Unemployment Compensation Obligation Assessment Revenue Bonds (Texas Workforce Commission), Series 2003A, 2003B, 2003C, 2003D - $1,376,720,000

Purpose: The bond proceeds were used to provide funds to the Texas Workforce Commission for the Unemployment Compensation Fund pursuant to SB 280 enacted by the 78th Legislature.

Dates:

Board Approval -	August 21, 2003
Negotiated Sale -	Series A/B/D: September 9, 2003 Series C: September 25, 2003
Closing Date -	September 25, 2003

Structure: The Series 2003A bonds were sold on a negotiated basis as tax-exempt, fixed rate-securities with final maturity in December 2008. The Series 2003B bonds were sold on a negotiated basis as taxable, fixed-rate securities with final maturity in June 2006. The Series 2003C and 2003D bonds were sold on a negotiated basis as taxable, variable-rate securities with final maturity in December 2009. The bonds are secured by a liquidity agreement with the Texas Comptroller of Public Accounts – Treasury Operations and insured by Financial Security Assurance, Inc.

Bond Ratings:

Moody's -	Aa2/VM1G 1
Standard & Poor's -	AA/A1+
Fitch -	AA-/F1+

Interest Cost:	**2003A&B**	**2003C&D**
True Interest Cost (TIC) -	3.13%	Variable
Net Interest Cost (NIC) -	3.17%	Variable

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$188,483	$0.14
Co-Bond Counsel	34,015	0.02
Financial Advisor	105,000	0.07
Financial Advisor	105,000	0.07
Co-Financial Advisor	29,030	0.02
Rating Agencies	290,000	0.21
Paying Agent/Registrar	1,050	0.00
Remarketing Agents	123,246	0.09
Liquidity Provider	191,000	0.14
Printing	4,755	0.00
Travel	4,627	0.00
Attorney General	2,500	0.00
Miscellaneous	40,990	0.03
	$1,119,696	**$0.81**
Underwriters' Spread	**$3,169,985**	**$2.31**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority (Texas Military Facilities Commission), Armory Improvement Bonds, Series 2004 - $13,595,000

Purpose: The bond proceeds were used to construct, remodel, and repair one or more buildings, and to pay costs of issuance.

Dates:

Board Approval -	January 22, 2004
Competitive Sale -	February 18, 2004
Closing Date -	March 11, 2004

Structure: The bonds were sold on a competitive basis as fixed-rate tax-exempt revenue bonds with a final maturity of April 1, 2024. The bonds are insured by MBIA Insurance Corporation.

Bond Ratings:

Moody's -	Aaa

Interest Cost:

True Interest Cost (TIC) -	4.00%
Net Interest Cost (NIC) -	3.94%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$22,052	$1.62
Co-Financial Advisor	26,459	1.95
Co-Financial Advisor	10,500	0.77
Paying Agent/Registrar	4,000	0.29
Trustee	3,000	0.22
Rating Agency	5,460	0.40
Printing	1,217	0.09
Attorney General	1,000	0.07
Miscellaneous	3,000	0.22
	$76,688	**$5.63**
Underwriters' Spread	**$150,768**	**$11.09**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2004 - $26,030,000

Purpose: The bond proceeds were used to renovate and improve the Stephen F. Austin State University Center and to pay costs of issuance.

Dates:

Board Approval -	January 22, 2004
Competitive Sale -	February 18, 2004
Closing Date -	March 10, 2004

Structure: The bonds were sold on a competitive basis as fixed-rate tax-exempt revenue bonds with a final maturity of October 15, 2024. The bonds are insured by Financial Security Assurance, Inc.

Bond Ratings:

Moody's -	Aaa
Fitch -	AAA

Interest Cost:

True Interest Cost (TIC) -	3.94%
Net Interest Cost (NIC) -	4.01%

Consultants:

Co-Bond Counsel -	Delgado, Acosta, Braden & Jones P.C.
Co-Bond Counsel -	Renee Higginbotham-Brooks
Co-Financial Advisor -	Public Financial Management
Co-Financial Advisor -	CKW Financial Group, Inc.
Senior Underwriter -	Piper Jaffray & Companies

Issuance Costs:	**Amount**	**Per $1,000**
Co-Bond Counsel	$26,250	$1.01
Co-Bond Counsel	12,692	0.49
Co-Financial Advisor	30,030	1.15
Co-Financial Advisor	10,516	0.40
Paying Agent/Registrar	3,000	0.12
Rating Agencies	18,050	0.69
Printing	1,301	0.05
Attorney General	1,250	0.05
Miscellaneous	1,250	0.05
	$104,339	**$4.01**
Underwriters' Spread	**$274,523**	**$10.55**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Texas Southern University Revenue Financing System Revenue Bonds, Series 2004 - $3,500,000

Purpose: The bond proceeds were used to finance restoration of University facilities and related infrastructure damaged by Tropical Storm Allison.

Dates:

Board Approval -	March 18, 2004
Negotiated Sale -	March 30, 2004
Closing Date -	April 14, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate tax-exempt revenue bonds with a final maturity of May 1, 2014. The bonds are insured by the Ambac Assurance Corporation.

Bond Ratings:

Moody's -	Aaa
Fitch -	AAA

Interest Cost:

True Interest Cost (TIC) -	3.62%
Net Interest Cost (NIC) -	3.38%

Consultants:

Bond Counsel -	Vinson & Elkins L.L.P.
Co-Financial Advisor -	First Southwest Company
Co-Financial Advisor -	CKW Financial Group, Inc.
Co-Senior Underwriter -	Siebert Brandford Shank & Co., L.L.C.
Co-Senior Underwriter -	SBK-Brooks Investment Corp.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$31,465	$8.99
Co-Financial Advisor	26,925	7.69
Co-Financial Advisor	8,024	2.29
Rating Agencies	12,800	3.65
Paying Agent/Registrar	300	0.09
Printing	1,068	0.31
Attorney General	750	0.21
Miscellaneous	841	0.24
	$82,173	**$23.48**
Underwriters' Spread	**$45,248**	**$12.93**

TEXAS HIGHER EDUCATION COORDINATING BOARD

Issue: State of Texas Variable Rate College Student Loan and Refunding Bonds, Series 2004 - $52,765,000

Purpose: The proceeds of the bonds were used to make funds available for the Hinson-Hazelwood College Student Loan Program and to partially refund the outstanding College Student Loan Bonds, Series 1994, Series 1995, Series 1996, Series 1997, and Series 1999. Proceeds from the sale of the bonds were also used to pay the costs of issuance.

Dates:

Board Approval -	April 28, 2004
Negotiated Sale -	May 17, 2004
Closing Date -	May 18, 2004

Structure: The bonds were sold through a negotiated sale as variable-rate, tax-exempt securities maturing on July 1, 2016. The bonds are general obligations of the state and are not insured.

Bond Ratings:

Moody's -	AA1/VMIG 1
Standard & Poor's -	AA/A1+

Interest Cost:

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

Consultants:

Bond Counsel -	Vinson & Elkins L.L P.
Financial Advisor -	First Southwest Company
Underwriter -	Lehman Brothers

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$77,500	$1.47
Financial Advisor	28,883	0.55
Rating Agencies	34,700	0.66
Paying Agent/Registrar	1,750	0.03
Escrow Agent	1,200	0.02
Escrow Verification	3,250	0.06
Liquidity Provider	92,796	1.76
Liquidity Provider Counsel	43,500	0.82
Attorney General	1,250	0.02
O.S. Preparation	800	0.02
Miscellaneous	12,198	0.23
	$297,827	**$5.64**
Underwriter's Spread	**$39,900**	**$0.76**

TEXAS SOUTHERN UNIVERSITY

Issue: State of Texas Constitutional Appropriation Bonds (Texas Southern University), Series 2004 - $11,100,000

Purpose: The proceeds from the bonds were used to fund 1) a campus radio station, 2) various renovation and repair projects throughout the campus, 3) laptops and internet access throughout the campus, and 4) to pay for costs of issuance.

Dates:

Board Approval -	June 8, 2004
Competitive Sale -	July 7, 2004
Closing Date -	July 27, 2004

Structure: The bonds were sold on a competitive basis as fixed-rate, taxable securities maturing on July 1, 2014.

Bond Ratings:

Moody's -	Aa1

Interest Cost:

True Interest Cost (TIC) -	3.54%
Net Interest Cost (NIC) -	Not Available at Printing

Consultants:

Bond Counsel -	Fulbright & Jaworski L.L.P.
Financial Advisor -	SBK-Brooks Investment Corp.
Senior Underwriter -	Morgan Keegan & Company

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$25,000	$2.25
Financial Advisor	45,000	4.05
Escrow Agent	4,500	0.41
Printing	2,500	0.23
Attorney General	1,000	0.09
Rating Agency	6,000	0.54
Disclosure Counsel	25,000	2.25
Other	5,680	0.51
	$114,680	**$10.33**
Underwriters' Spread	**$73,780**	**$6.65**

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation, Single Family Mortgage Revenue Bonds (Professional Educators, Fire Fighters, and Police Officers Home Loan Program), Series 2004A - $50,000,000

Purpose: The proceeds of the bonds were deposited in the Bond Escrow Fund and invested as stated in the investment agreement between the Trustee and Bayerische Landesbank.

Dates:

Board Approval -	January 19, 2004
Private Placement -	February 27, 2004
Closing Date -	March 24, 2004

Structure: The bonds were privately placed as variable-rate, tax-exempt securities with a final maturity of September 1, 2037. The bonds were not insured.

Bond Ratings: The bonds were not rated

Interest Cost:

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

Consultants:

Bond Counsel -	Fullbright & Jaworski L.L.P.
Financial Advisor -	First Southwest Company
Senior Underwriter -	George K. Baum & Company

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$81,000	$1.62
Financial Advisor	103,857	2.08
Rating Agency	19,600	0.39
Disclosure Counsel	40,000	0.80
Trustee	3,000	0.06
Trustee Counsel	5,000	0.10
Attorney General	2,500	0.05
Other	11,547	0.23
	$266,504	**$5.33**
Underwriters' Spread	**$10,000**	**$0.20**

TEXAS STATE UNIVERSITY SYSTEM

Issue: Board of Regents, Texas State University System, Revenue Financing System Revenue Bonds, Series 2003 - $47,635,000

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

Dates:

Board Approval -	September 18, 2003
Competitive Sale -	October 7, 2003
Closing Date -	November 4, 2003

Structure: The bonds were sold on a competitive basis as fixed-rate, tax-exempt securities maturing on March 15, 2023. The bonds are insured by the Ambac Assurance Corporation.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.32%
Net Interest Cost (NIC) -	4.28%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	RBC Dain Rauscher
Senior Underwriter -	Merrill Lynch & Co., Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$23,815	$0.50
Financial Advisor	29,672	0.62
Paying Agent	1,000	0.02
O.S. Preparation	750	0.02
Printing	2,504	0.05
Attorney General	1,250	0.03
Rating Agencies	39,750	0.83
	$98,741	**$2.07**
Underwriters' Spread	**$295,338**	**$6.20**

TEXAS TECH UNIVERSITY SYSTEM

Issue: Board of Regents, Texas Tech University System, Revenue Financing System Refunding and Improvement Bonds, Ninth Series 2003 - $97,265,000

Purpose: The proceeds of the bonds were used for the purpose of 1) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping the property, buildings, structures, facilities, roads, or related infrastructure for the University and the Health Sciences Center; 2) refunding $14.2 million of outstanding commercial paper; 3) refunding $4.8 million of outstanding Revenue Financing System, Series 1993 bonds: and 4) paying costs of issuance related to the bonds.

Dates:

Board Approval -	August 21, 2003
Negotiated Sale -	September 10, 2003
Closing Date -	September 24, 2003

Structure: The bonds were sold on a negotiated basis as fixed-rate securities maturing on February 15, 2023. The bonds are insured by Ambac Assurance Corporation.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.42%
Net Interest Cost (NIC) -	4.58%

Consultants:

Bond Counsel -	Delgado Acosta Braden & Jones P.C.
Financial Advisor -	First Southwest Company
Senior Underwriter -	UBS Financial Services

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,949	$0.68
Disclosure Counsel	10,000	0.10
Financial Advisor	65,133	0.67
Rating Agencies	88,800	0.91
O.S. Preparation	4,821	0.05
Paying Agent	300	0.01
Escrow Agent	500	0.01
Attorney General	1,250	0.01
Miscellaneous	12,478	0.12
	$249,231	**$2.56**
Underwriters' Spread	**$567,031**	**$5.83**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Land Refunding Bonds, Taxable Series 2003 - $29,285,000

Purpose: The proceeds of the bonds were used to refund the State of Texas Veterans' Land Bonds, Series 1993, and to pay for costs of issuance.

Dates:

Board Approval -	November 10, 2003
Negotiated Sale -	November 19, 2003
Closing Date -	November 20, 2003

Structure: The bonds were sold on a negotiated basis as variable-rate, taxable securities with a final maturity date of December 1, 2023. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

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

Consultants:

Bond Counsel -	Winstead, Secrest & Minick P.C.
Co-Bond Counsel -	Lannen & Oliver, P.C.
Financial Advisor -	RBC Dain Rauscher
Senior Underwriter -	J.P. Morgan Securities

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$25,596	$0.87
Co-Bond Counsel	8,127	0.28
Financial Advisor	11,750	0.40
Rating Agencies	25,980	0.89
Attorney General	1,250	0.04
O.S. Preparation	1,179	0.04
Liquidity Provider Counsel	8,000	0.27
	$81,882	**$2.79**
Underwriters' Spread	**$65,452**	**$2.24**

TEXAS VETERANS LAND BOARD

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

Purpose: The proceeds of the bonds were used to provide home loans for eligible Texas veterans.

Dates:

Board Approval -	October 2, 2003
Negotiated Sale -	October 21, 2003
Closing Date -	October 22, 2003

Structure: The bonds were sold on a negotiated basis as variable-rate, tax-exempt securities with a final maturity no later than June 1, 2034. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$55,000	$1.10
Co-Bond Counsel	13,859	0.28
Financial Advisor	19,000	0.38
Rating Agencies	32,220	0.64
Attorney General	1,250	0.03
O.S. Preparation	1,214	0.02
Liquidity Provider Counsel	11,500	0.23
	$134,043	**$2.68**
Underwriters' Spread	**$98,525**	**$1.97**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Housing Assistance Program, Fund I Series 2004, Taxable Refunding Bonds - $19,550,000

Purpose: The proceeds of the bonds were used to refund the State of Texas Veterans' Land Board's Housing Assistance Bonds, Series 1994B-4, and to pay for costs of issuance.

Dates:

Board Approval -	March 9, 2004
Negotiated Sale -	May 19, 2004
Closing Date -	May 20, 2004

Structure: The bonds were sold on a negotiated basis as variable-rate, taxable securities with a final maturity date of December 1, 2024. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$55,000	$2.81
Co-Bond Counsel	7,885	0.40
Financial Advisor	11,500	0.59
Rating Agencies	21,590	1.10
Attorney General	1,250	0.06
O.S. Preparation	1,379	0.07
Other	11,600	0.59
	$110,204	**$5.62**
Underwriters' Spread	**$51,734**	**$2.65**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Housing Assistance Program, Fund I Series 2003, Taxable Refunding Bonds - $47,865,000

Purpose: The proceeds of the bonds were used to refund outstanding State of Texas Veterans' Housing Assistance Bonds, Series 1993, and to pay for costs of issuance.

Dates:

Board Approval -	November 10, 2003
Negotiated Sale -	November 19, 2003
Closing Date -	November 20, 2003

Structure: The bonds were sold on a negotiated basis as variable-rate, taxable securities with a final maturity date of June 1, 2021. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$55,000	$1.15
Co-Bond Counsel	13,137	0.27
Financial Advisor	18,253	0.38
Rating Agencies	29,520	0.62
Attorney General	1,250	0.03
O.S. Preparation	1,291	0.03
Liquidity Provider Counsel	11,600	0.24
	$130,051	**$2.72**
Underwriters' Spread	**$94,169**	**$1.97**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Housing Assistance Program, Fund II Series 2004A - $50,000,000

Purpose: The proceeds of the bonds were used to provide home loans for eligible Texas veterans.

Dates:

Board Approval -	March 9, 2004
Negotiated Sale -	April 6, 2004
Closing Date -	April 7, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities with a final maturity no later than December 1, 2034. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$55,000	$1.10
Co-Bond Counsel	13,902	0.28
Financial Advisor	19,000	0.38
Rating Agencies	32,220	0.64
Attorney General	1,250	0.03
O.S. Preparation	767	0.02
Liquidity Provider Counsel	8,000	0.16
	$130,139	**$2.61**
Underwriters' Spread	**$91,296**	**$1.83**

TEXAS WATER DEVELOPMENT BOARD

Issue: State of Texas General Obligation Bonds, Water Financial Assistance Bonds, Series 2004A - $25,000,000

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

Dates:

Board Approval -	January 16, 2004
Negotiated Sale -	February 24, 2004
Closing Date -	March 30, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities with a final maturity of August 1, 2043. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.78%
Net Interest Cost (NIC) -	4.79%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$21,049	$0.84
Co-Bond Counsel	9,503	0.38
Financial Advisor	23,589	0.94
Rating Agencies	27,840	1.11
Paying Agent/Registrar	188	0.01
Attorney General	1,250	0.05
O.S. Preparation	1,728	0.07
Private Activity Fee	500	0.02
Travel	1,790	0.08
	$87,437	**$3.50**
Underwriters' Spread	**$182,750**	**$7.31**

TEXAS WATER DEVELOPMENT BOARD

Issue: State of Texas General Obligation Bonds, Water Financial Assistance and Refunding Bonds, Series 2004B - $71,530,000

Purpose: The proceeds of the bonds were used to provide low-interest loans to political subdivisions in rural areas of the state for new construction or improvements of water and wastewater facilities; refund outstanding Water Development Bonds Series 1993G, 1993I, 1994A, and 1994B; and to pay costs of issuance

Dates:

Board Approval -	April 6, 2004
Negotiated Sale -	April 29, 2004
Closing Date -	May 27, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities with a final maturity of August 1, 2025. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.25%
Net Interest Cost (NIC) -	4.41%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$22,107	$0.31
Co-Bond Counsel	11,108	0.16
Financial Advisor	57,941	0.81
Rating Agencies	39,550	0.55
Paying Agent/Registrar	300	0.01
Escrow Agent	146	0.01
Escrow Verification	2,500	0.03
Attorney General	1,250	0.02
O.S. Preparation	2,155	0.03
Miscellaneous	7,466	0.09
	$144,523	**$2.02**
Underwriters' Spread	**$397,847**	**$5.57**

TEXAS WATER DEVELOPMENT BOARD

Issue: State of Texas General Obligation Bonds, Water Financial Assistance and Refunding Bonds, Series 2004C (Economically Distressed Areas Program), Series 2004D, and Taxable Series 2004E - $123,230,000

Purpose: The proceeds of the Taxable Series 2004C Bonds were used to provide low interest loans and grants to political subdivisions for water supply, water quality enhancement and flood control purposes as part of the Economically Distressed Areas Program. The proceeds of the Series 2004D and 2004E were used to provide financial assistance to political subdivisions for water supply, water quality enhancement and flood control purposes. Additionally, the Series 2004E were used to refund $24,950,000 of State of Texas Water Development Bonds, Taxable Series 1996E.

Dates:

Board Approval -	June 8, 2004
Negotiated Sale -	June 23, 2004
Closing Date -	July 28, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate securities. The Series 2004C and Series 2004D bonds are tax-exempt securities with a final maturities in August 2029. The Series 2004E bonds are taxable securities with a final maturity in August 2024. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:	**2004C & 2004D**	**2003D**
True Interest Cost (TIC) -	4.91%	5.40%
Net Interest Cost (NIC) -	4.93%	5.52%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$29,567	$0.24
Co-Bond Counsel	12,026	0.10
Financial Advisor	74,391	0.60
Rating Agencies	57,500	0.47
Printing	3,037	0.02
Paying Agent	375	0.00
Escrow Agent	1,600	0.01
Escrow Verification	1,750	0.01
Other	15,397	0.12
Attorney General	2,500	0.02
	$198,143	**$1.61**
Underwriters' Spread	**$692,175**	**$5.62**

TEXAS WOMAN'S UNIVERSITY

Issue: Board of Regents, Texas Woman's University, Revenue Financing System Revenue Bonds, Series 2004 - $15,000,000

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

Dates:

Board Approval -	March 18, 2004
Negotiated Sale -	March 23, 2004
Closing Date -	April 14, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on July 1, 2035. The bonds are insured by Financial Security Assurance Inc.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.47%
Net Interest Cost (NIC) -	4.54%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$17,500	$1.17
Financial Advisor	63,220	4.21
Paying Agent	750	0.05
Printing	1,350	0.09
Attorney General	1,000	0.07
Rating Agencies	35,575	2.37
	$119,395	**$7.96**
Underwriters' Spread	**$112,063**	**$7.47**

THE UNIVERSITY OF TEXAS SYSTEM

Issue: Board of Regents of The University of Texas System, Revenue Financing System Bonds, Series 2004A and 2004B - $438,245,000

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

Dates:

Board Approval -	January 27, 2004
Negotiated Sale -	January 27, 2004
Closing Date -	March 9, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities. The Series 2004A bonds have a final maturity date of August 15, 2018, and the Series 2004B bonds, August 15, 2019. The bonds are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	3.62%
Net Interest Cost (NIC) -	3.92%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Senior Underwriters -	Morgan Stanley
	Lehman Brothers

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$151,475	$0.35
Rating Agencies	116,900	0.27
Disclosure Counsel	30,000	0.07
Paying Agent/Registrar	5,250	0.01
Escrow Agent	5,000	0.01
Escrow Verification	7,500	0.02
Attorney General	2,500	0.01
O.S. Preparation	6,417	0.01
Travel	2,215	0.01
	$327,257	**$0.76**
Underwriters' Spread	**$1,488,263**	**$3.40**

THE UNIVERSITY OF NORTH TEXAS SYSTEM

Issue: Board of Regents of The University of North Texas System, Revenue Financing System Refunding Bonds, Series 2003A and Revenue Financing System Bonds, Taxable Series 2003B - $11,165,000

Purpose: The proceeds of the Series 2003A bond issue were used for the purpose of advance refunding outstanding revenue financing system bonds and for paying costs of issuance. The proceeds of the Taxable Series 2003B bonds were for student housing projects and paying the costs of issuance.

Dates:

Board Approval -	August 21, 2003
Negotiated Sale -	September 3, 2003
Closing Date -	September 22, 2003

Structure: The bonds were structured as fixed-rate obligations and were sold on a negotiated basis with final maturity in April 2034. The bonds are insured by Financial Security Assurance, Inc.

Bond Ratings:

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

Interest Cost:	**Series A**	**Series B**
True Interest Cost (TIC) -	4.77%	6.14%
Net Interest Cost (NIC) -	4.95%	6.13%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$21,155	$1.89
Financial Advisor	16,436	1.47
Rating Agencies	16,000	1.43
Paying Agent/Registrar	600	0.05
Attorney General	1,750	0.16
O.S. Printing	3,134	0.28
Escrow Agent	500	0.04
Escrow Verification	4,500	0.40
Miscellaneous	1,624	0.15
	$65,699	**$5.87**
Underwriter's Spread	**$95,615**	**$8.57**

UNIVERSITY OF HOUSTON SYSTEM

Issue: Board of Regents of the University of Houston System, Consolidated Revenue Refunding Bonds, Series 2003 - $16,490,000

Purpose: The proceeds of the bond issue were used to refund and defease the Consolidated Revenue Bonds, Series 1995, and to pay costs of issuance.

Dates:

Board Approval -	November 10, 2003
Negotiated Sale -	December 2, 2003
Closing Date -	December 18, 2003

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities with a final maturity date of February 15, 2017. The bonds are insured by Financial Security Assurance Inc.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	3.90%
Net Interest Cost (NIC) -	4.01%

Consultants:

Bond Counsel -	Andrews Kurth L.L.P.
Financial Advisor -	First Southwest Company
Underwriter -	First Albany Capital

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$35,582	$2.16
Financial Advisor	25,091	1.52
Rating Agencies	20,350	1.23
Paying Agent	500	0.03
Escrow Agent	750	0.05
Escrow Verification	2,500	0.15
O.S. Preparation	3,869	0.23
Attorney General	1,000	0.06
	$89,642	**$5.43**
Underwriter's Spread	**$118,472**	**$7.19**

UNIVERSITY OF HOUSTON SYSTEM

Issue: Board of Regents of the University of Houston System, Consolidated Revenue Variable Rate Demand Bonds, Series 2004 - $25,000,000

Purpose: The proceeds of the bond issue were used to 1) finance the acquisition, purchase, construction, improvement, renovation, enlargement and equipping of property, buildings, structures, facilities, roads, or related infrastructure for the system; and 2) to pay the costs of issuance.

Dates:

Board Approval -	March 18, 2004
Competitive Sale -	June 9, 2004
Closing Date -	June 16, 2004

Structure: The bonds were sold on a competitive basis as variable-rate, tax-exempt securities with a final maturity date of February 15, 2024. The bonds are not insured.

Bond Ratings:

Moody's -	Aa3/VMIG 1
Standard & Poor's -	AA-/A-1+

Interest Cost:

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

Consultants:

Bond Counsel -	Andrews Kurth L.L.P.
Financial Advisor -	First Southwest Company
Underwriter	Goldman, Sachs, & Co.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$97,562	$3.90
Financial Advisor	26,152	1.05
Rating Agencies	32,650	1.30
Paying Agent	750	0.03
O.S. Printing	2,710	0.11
Attorney General	1,250	0.05
Other	25,250	1.01
	$186,324	**$7.45**
Underwriter's Spread	**$4,500**	**$0.18**

Appendix B
Texas Commercial Paper and Variable Rate Note Progams

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, 2004, a total of $3.04 billion was authorized for state commercial paper or variable-rate note programs. Of this amount, $942.3 million was outstanding as of the end of fiscal 2004.

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

The University of Texas System

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

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

The System's Revenue Financing System (RFS) Commercial Paper Note Program was established in 1990 to provide interim financing for capital projects, including construction, acquisition, and renovation or equipping of facilities. The commercial paper is secured by a pledge of all legally available revenues of the System, including pledged tuition fees, general fees, and other revenue sources. The System's outstanding RFS commercial paper notes may not exceed $750 million in principal amount at any time.

The Texas A&M University System

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

Table 17
TEXAS COMMERCIAL PAPER AND VARIABLE RATE NOTE PROGRAMS
as of August 31, 2004

ISSUER	TYPE OF PROGRAM	AMOUNT AUTHORIZED	AMOUNT ISSUED FISCAL 2004	AMOUNT OUTSTANDING
The University of Texas System				
Permanent University Fund	Flexible-Rate Notes	$400,000,000	$100,000,000	$0
Revenue Financing System	Commercial Paper	750,000,000	317,607,000	487,954,000
The Texas A&M University System				
Permanent University Fund	Flexible-Rate Notes	80,000,000	0	80,000,000
Revenue Financing System	Commercial Paper	200,000,000	94,420,000	150,000,000
Texas Tech University System				
Revenue Financing System	Commercial Paper	100,000,000	5,800,000	14,911,000
Texas Dept of Agriculture	Commercial Paper	50,000,000	0	30,000,000
	Commercial Paper*	25,000,000	0	0
Texas Economic Development & Tourism Office	Commercial Paper	25,000,000	2,914,000	12,800,000
Texas Dept of Housing & Community Affairs	Commercial Paper	200,000,000	45,995,000	50,777,000
Texas Public Finance Authority				
Revenue	Commercial Paper	150,000,000	10,000,000	55,359,000
General Obligation	Commercial Paper	1,056,000,000	39,400,000	60,490,000
Total		**$3,036,000,000**	**$616,136,000**	**$942,291,000**

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

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

at any time.

The Texas A&M University's Revenue Financing System Commercial Paper Program was established in 1992 to provide interim financing for capital projects, including construction, acquisition, and renovation, or equipping of facilities throughout the A&M System. The commercial paper is secured by a pledge of all legally available revenues to the A&M System, including pledged tuition fees, general fees, and other revenue sources. The A&M System has a self-liquidity facility for this program. In fiscal 1994, the A&M System expanded the pledge to include tuition revenues. The A&M System's outstanding RFS commercial paper notes may not exceed $200 million in principal amount at any time.

Texas Tech University System and Texas Tech University Health Sciences Center

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

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

Texas Department of Agriculture

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

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

Texas Economic Development and Tourism Office

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

Texas Department of Housing and Community Affairs

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

Texas Public Finance Authority

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

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

Other State Issuers of Variable-Rate Debt

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

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

Comptroller of Public Accounts Liquidity Facility Provider Duties

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

Appendix C
Texas State Bond Progams

TEXAS AGRICULTURAL FINANCE AUTHORITY BONDS

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

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

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

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

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COLLEGE STUDENT LOAN BONDS

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

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

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

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

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Texas Higher Education Coordinating Board
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COLLEGE AND UNIVERSITY REVENUE BONDS

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

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

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

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

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

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

Contact:
Individual colleges and universities.

TEXAS ECONOMIC DEVELOPMENT AND TOURISM BONDS

Statutory 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 the Senate Bill 275 of the 78th Legislature. Senate Bill 275 authorizes the Office to issue bonds. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds was approved. Although legislative approval of bond issues is not required, the Office is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance, and to register its bonds with the Comptroller of Public Accounts.

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

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

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

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Texas Economic Development & Tourism Office
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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS BONDS

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

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

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

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

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

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FARM AND RANCH LOAN BONDS

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

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

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

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

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HIGHER EDUCATION CONSTITUTIONAL BONDS

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

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

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

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

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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Statutory Authority: The Texas Low-Level Radioactive Waste Disposal Authority (the "Authority") was created in 1981 (Texas Health and Safety Code, Chapter 402), and authorized to issue revenue bonds in 1987 (Texas Health and Safety Code, Sec. 402.291) to finance certain costs related to the creation of a radioactive waste disposal site. The Authority was required to obtain the approval of the Attorney General's Office and the Bond Review Board prior to issuance, and to register its bonds with the Comptroller of Public Accounts. House Bill 1077, 75th Legislature, in 1997, authorized the Texas Public Finance Authority to issue the bonds on behalf of the Texas Low-Level Radioactive Waste Disposal Authority.

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

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

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

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

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TEXAS MILITARY FACILITIES COMMISSION BONDS

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

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

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

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

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

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TEXAS PARKS AND 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. Senate Bill 3, 72nd Legislature, 1991, authorized the Texas Public Finance Authority ("the Authority") to issue bonds on behalf of the Department. House Bill 3189, 75th Legislature, 1997, authorized the Authority to issue revenue bonds or other revenue obligations not to exceed $60 million in the aggregate on behalf of the Department for construction and renovation projects for parks and wildlife facilities.

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

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

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

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

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

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PERMANENT UNIVERSITY FUND BONDS

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

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

Security: Bonds are equally and ratably secured by and payable from a first lien on and pledge of the interest of the UT System or the A&M System in the Available University Fund. The total amount of PUF bonds is subject to the constitutional limitation in that the aggregate amount of bonds payable from the Available

University Fund cannot, at the time of issuance, exceed 30 percent of the cost value of investments and other assets of the PUF, exclusive of real estate.

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

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

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TEXAS PUBLIC FINANCE AUTHORITY BONDS

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

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

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

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

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

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

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

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

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

In 2001, constitutional amendments were adopted authorizing the issuance of (i) up to $850 million of general obligation bonds to finance construction, renovation, and equipment acquisitions for thirteen state agencies (Texas Constitution, Article III, Section 50-f); and (ii) up to $175 million of general obligation bonds to finance assistance to border counties for roadways in colonias (Texas Constitution, Article III, Section 49-l). Additionally, the 77th Legislature authorized the Authority to issue bonds to finance nursing home liability insurance and to establish a corporation to issue bonds for charter schools.

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

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

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

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

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

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PUBLIC SCHOOL FINANCE PROGRAM

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

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

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

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

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

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TEXAS SMALL BUSINESS INDUSTRIAL DEVELOPMENT CORPORATION BONDS

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

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

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

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

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TEXAS STATE AFFORDABLE HOUSING CORPORATION

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

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

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

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

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

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TEXAS DEPARTMENT OF TRANSPORTATION BONDS

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

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

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

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

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

Security: Bonds issued are obligations of the Department and are payable from income from the SIB and other project revenues. Bonds issued by the Authority are payable from project revenues and other identified revenue sources. Bonds issued by the Authority are not obligations of the state or a pledge of the full faith and credit of the state. Only the bonds secured by the Texas Mobility Fund carry the state's full faith and credit and its taxing power is pledged toward payment of the bonds. The Transportation Commission may guarantee on behalf of the state the payment of any obligations by pledging the full faith and credit of the state if the dedicated revenues are insufficient.

Dedicated/Project Revenue: Debt for bonds is paid from income from the State Infrastructure Bank and other project revenues with the exception of debt paid for bonds secured by the Texas Mobility Fund. Likewise, bonds issued by the Authority are payable from project revenues and other identified revenue sources. The Texas Mobility Fund obligations are secured by and payable from a pledge of and lien on all or part of the money in the Fund.

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VETERANS' LAND AND HOUSING ASSISTANCE BONDS

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

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

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

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

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TEXAS WATER DEVELOPMENT BONDS

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

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

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

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

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

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

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

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

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TEXAS WATER RESOURCES FINANCE AUTHORITY BONDS

Statutory Authority: The Texas Water Resources Finance Authority (the "Authority") was created in 1987 (Texas Water Code, Chapter 20) and given the authority to issue revenue bonds. The Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are used to finance the acquisition of the bonds of local government jurisdictions, including local jurisdiction bonds that are owned by the Texas Water Development Board.

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

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

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