

Texas Public Finance Authority

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Dwight D. Burns
Executive Director

September 30, 2009

Mr. John O'Brien, Director
Legislative budget Board
Robert E. Johnson Building
1501 N. Congress, Ave., 5th Floor
Austin, TX 78701

Ms. Mary Katherine Stout Director
Governor's Office of Budget, Planning and Policy
1100 San Jacinto, 4th Floor
Austin, TX 78701

RE: The American Recovery and Reinvestment Act

Dear Mr. O'Brien and Ms. Stout:

This letter is written in response to your June 29, 2009, memorandum regarding the agency's intended use of stimulus funds received from the federal government.

The American Recovery and Reinvestment Act of 2009 (ARRA) established the Build America Bond (BABs) program to provide economic stimulus by offering alternatives for state and local governments to issue taxable bonds with federal subsidies to offset a portion of their borrowing costs. In August 2009, TPFA issued \$181 million in General Obligation BABs on behalf of several client agencies and it elected to receive a direct payment subsidy from the U.S. Department of the Treasury of thirty-five percent of interest payments over the life of the bonds. Interest on BABs issued by TPFA is payable annually on October 1st and April 1st, commencing April 1, 2010, through October 1, 2030. These bonds are subject to a ten-year optional call provision.

TPFA will submit a request to the U.S. Department of the Treasury, 45 to 90-days prior to each interest payment date, to receive a tax credit by the applicable interest payment date. TPFA will request direct payment subsidies semi-annually and federal receipts will be deposited into the related Interest and Sinking Fund No. 7040 and applied toward debt service, as required by the bond covenants in compliance with federal tax law. At this time, it is unknown how timely the

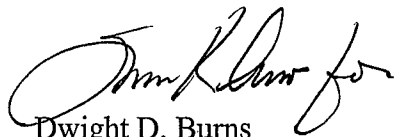
agency may expect to receive the refundable credit from the federal government and it is also uncertain how long this program will be federally funded.

The General Appropriations Act, Article XII, Section 5 of the 81st Legislature, R.S., requires that agencies receiving ARRA funds as identified in Article XII report the expenditure of ARRA funds, the estimated number of jobs created or retained, and the number of full-time equivalent positions created to the Legislative Budget Board and the Governor's Office. It further requires that all agencies comply with state and federal reporting requirements. Although TPFA is not one of the agencies identified in Article XII as receiving ARRA appropriations, TPFA will comply with the state reporting requirements of these semi-annual federal receipts. TPFA fully anticipates operating within its current FTE cap; therefore, no jobs will be created. The agency also submits the attached American Recovery and Reinvestment Act Certification in compliance with Article XII, Section 6(d).

Build America Bonds are not subject to ARRA Section 1512 reporting requirements, as reflected in the Office of Management and Budget (OMB) supplement found at http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-21-supp1.pdf. TPFA will continue to monitor any future updates published by the OMB and will seek additional documentation from the U.S. Department of the Treasury further demonstrating this exemption.

Should you have any questions, please contact me at 463-5700.

Sincerely,



Dwight D. Burns
Executive Director

cc: TPFA Staff

Attachment

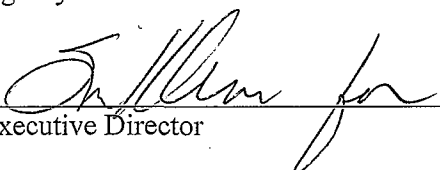
American Recovery and Reinvestment Act Certification

(Required Under Art. XII, Sec. 6(d), General Appropriations Act, 81st Legislative Session)

I, Dwight D. Burns, in my official capacity as Executive Director of Texas Public Finance Authority (the "Agency"), an agency of the State of Texas that receives funds appropriated under Article XII of the General Appropriations Act of the 81st Legislative Session (the "Act"), hereby certify to the Legislative Budget Board, the Governor, and the Comptroller of Public Accounts that:

1. Members of the Agency's executive staff and I have knowledge of American Recovery and Reinvestment Act ("ARRA") law and related federal agency actions affecting the ARRA.
2. The Agency has implemented internal controls, processes and procedures designed to ensure that the Agency's use of ARRA funds appropriated to the Agency under Article XII of the Act is in compliance with applicable federal and state law (including Article XII of the Act), rules, regulations, and guidance.
3. In accordance with the responsibility placed upon this Agency and to the best of my knowledge, the use of or planned use of the funds appropriated to the Agency under Article XII of the Act is in compliance with applicable federal law, state law, rules, regulations, and guidance.

Texas Public Finance Authority
Agency



Executive Director

Dwight D. Burns
Full Name

Executive Director
Title

(Agency Seal)

September 30, 2009
Date