Texas Public Finance Authority

SELF-EVALUATION REPORT

Submitted to the Sunset Advisory Commission

August 2009

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I. Agency Contact Information

Texas Public Finance Authority Exhibit 1: Agency Contacts				
	Name	Address	Telephone & Fax Numbers	Email Address
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II. Key Functions and Performance

A. Provide an overview of your agency's mission, objectives, and key functions.

TPFA's **mission** is to provide the most cost-effective financing available to fund capital projects, equipment acquisitions, and programs as authorized by the Texas Legislature. Formerly known as the Texas Public Building Authority, the agency was created by the Legislature in 1983 to issue revenue bonds on behalf of the General Services Commission. Over the years, the Legislature has expanded TPFA's responsibilities, authorizing the agency to issue general obligation debt for up to 25 other state agencies—including three universities. The Authority accomplishes its mission by using a variety of debt instruments including long-term fixed rate debt and short-term variable rate debt, or commercial paper, to manage its exposure in the financial market. The Authority currently administers four commercial paper programs; namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; two general obligation commercial paper programs for certain general state government construction projects; and a general obligation commercial paper program for the Colonia Roadway program. In 2004, TPFA created a nonprofit corporation to help finance projects for eligible charter schools. The corporation has issued six series of bonds and in 2005 formed a consortium with the Texas Education Agency and the Resource Center for Charter Schools (now the Texas Charter Schools Association), obtaining a grant from the U.S. Department of Education to provide credit enhancement to charter schools facilities funding.

The authority's primary **functions** are to 1) analyze financings and issue debt for client agencies; 2) manage bond proceeds; and 3) make bond debt service payments.

TPFA's main **objectives** are to 1) provide timely and cost-effective funding for client agencies at the lowest possible cost, 2) optimize management of bond proceeds by complying with covenants and federal "arbitrage" requirements, and 3) make accurate, timely bond debt service payments. The Legislature's main purpose for creating TPFA was to serve the bonding needs of state agencies that issue bonds infrequently and/or do not have the expertise to carry out the complex process of utilizing the bond markets. The authority's client agencies are:

1. Texas Facilities Commission
2. Texas Historical Commission
3. State Preservation Board
4. Health and Human Services Commission
5. Department of State Health Services

6. Department of Aging and Disability Services
7. School for the Blind and Visually Impaired
8. School for the Deaf
9. Midwestern State University
10. Stephen F. Austin University
11. Texas Southern University
12. Adjutant General/Military Facilities Commission
13. Texas Department of Criminal Justice
14. Texas Military Preparedness Commission (Texas Military Value Revolving Loan Fund)
15. Department of Public Safety
16. Texas Youth Commission
17. Department of Agriculture/Texas Agricultural Finance Authority (TAFA)*
18. Texas Parks and Wildlife Department
19. Texas Department of Transportation/Office of the Governor (Colonias Roadway Grant Program)
20. TPFA Charter School Finance Corporation
21. Texas Workforce Commission
22. Texas Windstorm Insurance Association
23. Cancer Prevention and Research Institute of Texas

* TPFA gained authority by the 81st Legislature to issue debt on behalf of TAFA, as a result of the Sunset Commission's recommendation.

B. Do each of your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

TPFA's key functions help maintain the State's access to the capital markets for basic infrastructure and project financing.

Analyze financings and issue debt for client agencies

As of February 2009, the State had approximately $11 billion in outstanding general obligation (GO) debt, and TPFA was responsible for about $2 billion (18%) of the statewide total. Excluding GO debt that is "self-supporting" from other revenue streams, TPFA accounts for about 80% of all State debt repaid purely from general revenues.

Consequently, because it is one of the State's primary bond issuers, the authority plays a major role in shaping the public finance industry's perception of the State's debt issuance practices. The industry includes rating agencies, credit analysts, financial advisors, bond counsel, investment banking underwriters, investors, and federal regulators. If TPFA's debt issuance responsibilities were relegated to the individual client agencies, each agency would be required to hire in-house public finance debt experts, develop contracts with private sector bond professionals, and negotiate bond costs separately in the marketplace. Overall, the State would lose the economies of scale provided by combining the financing needs of smaller agencies without bond issuance with larger bond sales in a way that results in relatively low issuance costs and would require additional coordination with more issuers. Also, introducing more State debt issuers into the bond market would make it more difficult for bond rating agencies and other market players to evaluate the cohesiveness and predictability of the State's debt position.

Manage bond proceeds

To ensure that bond funds are spent in a manner consistent with constitutional, statutory, and contractual parameters, TPFA has a systematic process of managing proceeds. In-house staff and outside consultants are utilized for this purpose. One such example is arbitrage management. Arbitrage is the difference between the interest paid on tax-exempt bonds and the interest earned by investing the proceeds in higher yielding taxable securities. Federal law prevents governmental entities from issuing bonds solely for the purpose of earning arbitrage and establishes time frames in which bond proceeds must be spent. The Authority's staff and consultants monitor interest income generated by bond proceeds, comparing them with bond interest payments to calculate arbitrage and make payments to the Internal Revenue Service when necessary, avoiding the possibility of outstanding bonds losing their federal tax exemption. Managing bond proceeds is often a complex and tedious process, and having TPFA serve this role saves its client agencies the trouble of setting up duplicate, potentially costly services.

Make bond debt service payments

The State's bond credit ratings, which demonstrate a willingness and ability to honor its financial obligations to the global capital markets, depend on timely and accurate debt service payments. Despite current harsh economic conditions, Texas earned a rating upgrade by Standard and Poors from AA to AA+, in conjunction with a TPFA GO bond issuance in August 2009. The Authority serves as paying agent for most of the long-term general obligation debt issued for its client agencies. If client agencies were compelled to take on debt management responsibilities individually, the State's control over its standing in the bond market would be diffused significantly, with no operating savings in return.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

TPFA uses several mechanisms to evaluate how well it is meeting its responsibility to provide efficient and cost-effective financing to the state, including an Internal Risk Assessment, a customer satisfaction survey, performance measures, ongoing monitoring of interest rates on fixed and variable rate debt programs, and periodic rating reports on the State's credit position from three nationally recognized rating agencies. The results are summarized below.

The **customer satisfaction survey** measured customer and client agency perceptions. The 2008 survey was redesigned to get more specific feedback from our client agencies; 97.5% of the combined responses indicated that customers were satisfied with their overall experience with the Authority. The 2008 Customer Service Report was published on June 2, 2008. In addition to the Survey, TPFA holds agency client training, orientation sessions, and one-on-one agency meetings where clients can provide feedback about TPFA's services.

The **Risk Assessment** comprehensively prioritized and evaluated the agency's business processes. The review included issuing debt, ongoing debt administration, bond covenant and tax law compliance, finance and accounting, information technology, human resources and purchasing. Several areas were identified where procedures could be modified to improve and ensure compliance with bond covenants and federal tax law, primarily in fund administration and arbitrage rebate compliance.

The Authority prepares **a monthly debt report** to monitor the financing costs of fixed and variable rate debt. This report compares the true interest cost of fixed rate debt and the weighted average maturity, interest rate and dealer performance of variable rate debt to the appropriate interest rate index. Over time these reports demonstrate that our issuance costs have been favorable. The report is posted on the agency website and included in the monthly briefing materials provided to the Board of Directors. In addition, the Authority's debt programs are reflected in the State's overall debt portfolio, which is reviewed by the major rating agencies each time debt is issued and reported in industry publications such as **Moody's Medians.**

D. Does you agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions? Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

Yes, the enabling law correctly reflects the Authority's mission, objectives and approach to performing its functions. The Authority has recommended changes to improve its operations. The recommendations were enacted by the 76th Legislature; see Tx. Gov't Code, sections 1232.056(c), relating to pricing committees; 1232.1191, relating to negotiating contracts needed for the issuance of bonds; and 1232.122(a), relating to the time when agencies may begin their construction projects. However, the Authority has primarily assisted with bond authorizing legislation at the request of one or more legislators.

E. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

Although there are about 17 agencies and institutions of higher education authorized to issue debt, the Authority's functions are unique in that it is the only agency authorized to issue debt for general state government purposes, and miscellaneous programs as the Legislature mandates. Preventing duplication of issuance authority is controlled by the Legislature.

F. In general, how do other states carry out similar functions?

Including Texas, all of the top five most populous states maintain various forms of bond issuance consolidation. California sells all state GO debt through the Treasurer's Public Finance Division. New York's Comptroller's Office issues all GO bonds. Florida's Bond Finance Division issues all state bonds, and Illinois issues state debt through the Governor's Office of Management and Budget.

The practice in Texas of maintaining TPFA as an independent debt-issuing entity services at least two important purposes. First, the Authority's board is structured in a manner that minimizes the potential for unethical (or illegal) bond issuance practices, such as hiring investment banking firms for political or personal gain. While the Governor nominates the board members and the Senate confirms them, their terms often overlap those of elected officials, allowing board members to make independent decisions free from political pressures. Also, the Authority's codified policies ensure that the process of hiring consultants and structuring debt is transparent and ethical.

A second benefit of TPFA's structure as an independent agency is to facilitate executive and legislative oversight of the Authority's debt issuance practices. By keeping TPFA a distinct entity, the members of the Bond Review Board – consisting of the Governor, the Lieutenant Governor, the Speaker of the House, the Comptroller, and the Attorney General – are free to make third-party, "arms-length" evaluations of TPFA's bond sales for state agencies and special projects.

G. What key obstacles impair your agency's ability to achieve its objectives?

The Authority has carried out its legislatively assigned responsibilities consistently, meeting or exceeding its internally--established high performance targets; however, static appropriations make it increasingly difficult to ensure such continued performance, given the need or which requires continual staff training, increasing debt management responsibilities, and improved IT resources.

H. Discuss any changes that could impact your agency's key functions in the future (e.g., changes in federal law or outstanding court cases).

State statutory changes authorizing the issuance of debt could have an impact on TPFA. There are no court cases or local government requirements that would affect the Authority.

TPFA has not enacted any substantial policy changes and does not anticipate any such changes in the future. However, the level of service that the Authority provides has grown significantly in the past few years as a result of new debt authorized by the Legislature. Furthermore, the following external factors have had a significant impact on the municipal bond markets in the past year: the decline of the US housing and mortgage markets, a weakening global economy, and market disruptions that have created a period of unprecedented uncertainty and volatility in the capital markets. As a result, the current environment is one of low interest rates, but tight liquidity and extreme credit sensitivity.

The Legislature continues to authorize new financing programs that increase the scope of the Authority's operations and its workload. In addition to the $850 million of general obligation bonds on behalf of 13 separate state agencies authorized in 2001, the 80th Legislature authorized and the voters approved an additional $1 billion of general obligation bonds in 2007 for similar purposes. In 2007 the Legislature and voters authorized $3 billion of general obligation bonds to support cancer research. Furthermore, in 2009, the Legislature authorized TPFA to establish a $2.5 billion contingent finance structure for the Texas Windstorm Association, to help the Association pay claims in the event of catastrophic storm events.

Overall, these new authorizations have increased the number of client agencies the Authority serves and increased the complexity and frequency of the work involved in the ongoing administration of the debt, including monitoring the expenditure of bond proceeds, paying debt service, and managing variable rate debt. Finally, as interest rates have remained at historic lows, the agency has refinanced existing debt to lower debt service costs. Since 1997, the agency has refinanced over $2.8 billion of debt, reducing debt service costs over the life of the bonds by over $230 million. To effectively implement and support the financing programs mandated by the Legislature, the Authority must recruit and retain a highly skilled, well-trained workforce and maintain our investment in information technology systems.

I. What are your agency's biggest opportunities for improvement in the future?

Opportunities for improvement include the following:

- Improved efficiency in automated information and management systems;
- Continue staff training and cross-training for improved and broader knowledge for staff professional growth;
- Careful monitoring of developments in the global capital markets and economy to ensure the State has access to capital at cost-effective rates and diligent risk assessment to prudently manage the State's debt;
- Implementation of a staffing and organizational structure that fully maximizes information technology improvements, such as the integrated accounting system, debt management database, and remote access for successful telecommuting and flexible work schedules, and maintains the highest quality standards for work product; and
- adapting the Master Lease Program to ensure it remains an efficient and cost effective financing tool for all state agencies.

J. In the following chart, provide information regarding your agency's key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures.

Texas Public Finance Authority
Exhibit 2: Key Performance Measures – Fiscal Year 2008

Key Performance Measures	FY 2008 Target	FY 2008 Actual Performance	FY 2008 % of Annual Target
Number of Requests for Financings Approved	12	16	133.33%
Number of Financial Transactions Including Debt Service Payments	5,100	5,430	106.47%

III. History and Major Events

1983 The Texas Public Building Authority was established (Art. 601d, VTCS, now codified as Chapter 1232, Texas Government Code) to issue revenue bonds to provide funds for the construction and renovation of office buildings.

1987 The agency's mission was expanded in response to the State's need to rapidly increase its prison, youth corrections and mental health facilities through the issuance of up to $500 million in general obligation bonds and the name of the agency was changed to the Texas Public Finance Authority to reflect the agency's enlarged charter. Also, the Legislature authorized the use of revenue bonds to purchase existing office buildings, if the cost of purchase was found to be less than comparable construction.

1989 The Master Lease Purchase Program was created through enactment of H.B. 2721, 71st Legislature, R.S. (1989) to issue bonds or other obligations to finance the purchase of equipment by various state agencies.

1991 Subchapter G, Article 5.76-5, Texas Insurance Code, authorized the agency to issue revenue bonds to finance the initial surplus and reserves of the Texas Worker's Compensation Insurance Program. Additionally, the legislature expanded TPFA's Board of Director's from three (3) members to six (6) members.

1992 The 73rd Legislature authorized the Authority to issue bonds on behalf of the Texas State Technical College ("TSTC"), the National Guard Armory Board, the Texas National Research Laboratory Commission (the "Superconducting Super Collider Project"), and the Texas Parks and Wildlife Department.

1993 The 73rd Legislature created the Alternative Fuels Council and the Alternative Fuels Financing program to provide financing to both state agencies and eligible local governmental entities for alternative fuels conversions and alternative fuels infrastructure projects.

1994 The 74th Legislature authorized the Authority to issue building revenue bonds for the Texas Department of State Health Services (formerly the Texas Department of Health) to finance a Public Health Laboratory in Travis County and to issue general obligation bonds on behalf of the Texas Juvenile Probation Commission.

The Department of Energy terminated the Superconducting Super Collider Project and subsequently, the Authority began a two and a half year process to defease its $250 million general obligation refunding bonds issued in 1992 with proceeds from asset sales of the Superconducting Super Collider Project.

1996 The 75th Legislature authorized the Authority to issue bonds on behalf of the Texas Low-Level Radioactive Waste Disposal Authority, Midwestern State University, Texas Southern University and Stephen F. Austin State University. Other legislation authorized the Authority to issue revenue bonds on behalf of the Texas Health and Human Services Commission, the Texas Parks and Wildlife Department, to issue bonds to finance the Texas State History Museum on behalf of the State Preservation Board.

1998 The 76th Legislature adopted Sunset Commission recommendations to further expand the agency's issuance authority to include Midwestern State University, Stephen F. Austin State University, and Texas Southern University. The Legislature also authorized the issuance of revenue obligations to finance automated information systems for the Texas Department of Human Services' electronic benefits transfer (EBT) and integrated eligibility (TIERS) programs.

2001 Texas Constitution, Article III, Sections 50f and 49-l were adopted authorizing the issuance of up to $850 million of general obligation bonds to finance construction, renovation and equipment acquisitions for thirteen state agencies; and up to $175 million of general obligation bonds to finance assistance to border counties for roadways in colonias, respectively. 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.

2003 The 78th Legislature authorized the Authority to issue revenue bonds on for the Texas Workforce Commission to fund the unemployment compensation program and up to $75m of revenue bonds to fund the FAIR plan which provides residential property insurance of last resort. Texas Constitution, Article III, section 49n authorized general obligation bonds to finance assistance to local governments for economic development projects to enhance the military value of military facilities.

2004 The Texas Public Finance Authority Charter School Finance Corporation (CSFC) was created pursuant to Section 53.351, Education Code, to issue bonds on behalf of open-enrollment charter schools.

2005 The 79th Legislature authorized the Authority to issue revenue bonds to finance building improvements for the Texas Department of Transportation and refinance certain Texas Building and Procurement Commission's lease-purchase agreements (now the Texas Facilities Commission).

The CSFC formed a consortium with the Texas Education Agency and the Resource Center for Charter Schools and received a $10 million federal grant to fund a debt service reserve for bonds issued on behalf of charter schools.

2007 The 80th Legislature authorized the Authority to issue $3 billion of general obligation debt to finance cancer research (Texas Constitution, Article III, Section 67) and $1 billion to finance capital projects for certain state agencies (Texas Constitution, Article III, Section 50-g).

2009 The 81st Legislature authorized the TPFA to issue up to $2.5 billion to finance excess losses of the Texas Wind Insurance Association resulting from a catastrophic event and transferred the Texas Agriculture Finance Authority ("TAFA") issuance authority to TPFA.

IV. Policymaking Structure

A. Complete the following chart providing information on your policymaking body members.

Texas Public Finance Authority
Exhibit 3: Policymaking Body

Member Name	Term/Appt Date/Appt By	Qualification	City
Gary E. Wood	2015/June 12, 2008/Governor	N/A	Austin
Ruth C. Schiermeyer	2013/June 28, 2004/ Governor	N/A	Lubbock
Linda McKenna	2011/April 11, 2005/ Governor	N/A	Harlingen
Gerald Alley	2013/January 10, 2008/ Governor	N/A	Arlington
D. Joseph Meister	2013/May 2, 2007/ Governor	N/A	Dallas
Rodney K. Moore	2015/March 17, 2009/ Governor	N/A	Lufkin
Robert T. Roddy, Jr.	2011/May 2, 2007/ Governor	N/A	San Antonio

B. Describe the primary role and responsibilities of your policymaking body.

The Board's primary responsibilities include establishing policy for the agency's operations, approving debt issuances and issuing the debt.

C. How is the chair selected?

The Governor appoints the chair of the TPFA Board.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

Because TPFA is one of the state's largest public debt issuers, members of the governing body -- which is responsible for debt issuances -- must have or acquire a fairly sophisticated understanding of municipal finance.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2008? In FY 2009

The Board meets monthly, unless there is no business that has to be considered and acted upon. The Board typically meets ten to eleven times a year. The Board met 12 times in FY 2008 and 10 times in FY 2009.

F. What type of training do members of your agency's policymaking body receive?

Board members are provided training in debt issuance, municipal bonds, practices and procedures of the Authority, open meetings, ethics, and federal securities requirements applicable to state government debt issues.

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

The Authority has a Debt Management Policy for structuring bond issues with established targets as well as guidelines for both fixed rate and variable rate debt exposures, savings parameters for refunding bonds, and provides general guidance for selecting methods of sales. The Board is also guided by its Underwriting Policies and Procedures that outline the use of an underwriting pool and underwriter selection process, addresses policies and procedures for the use of negotiated bond sales and competitive bond sales and pricing committee procedures. Further, the agency has a Master Swap Policy for the agency's use of swaps and other derivative financial products in conjunction with the Authority's management of its debt obligations and liabilities to serve as a source of information and guidance on the issuance and ongoing monitoring of swaps.

H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance.

Monthly board packets includes a Staff Report with the following:

- Municipal Market Data scale for GO Bonds
- Bond Buyer Index
- Graph comparing TPFA Debt to variable and fixed rate indexes
- CP Dealer Performance by variable rate program
- Master Lease Purchase Program Activity
- Outstanding Debt Summary of all Revenue and General Obligation Bonds
- TPFA Glossary of Abbreviations and Acronyms

Other information submitted to the board include:

- Strategic Plan – Biennially
- Survey of Organizational Excellence – Biennially
- Customer Satisfaction Survey - Biennially
- Legislative Appropriations Request - Biennially
- Operating Budget Report - Biennially
- Annual Financial Report - Annually
- Operating Budget Reports - Quarterly
- Risk Analysis - Annually

I. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

The Board can recognize members of the public and hear their comments in open meeting. The Board's jurisdiction is limited to financing for other agencies; therefore, public comment and participation is very small to non-existent. However, the Board frequently has requested input from the investment banking community on its policies and procedures.

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

Texas Public Finance Authority
Exhibit 4: Subcommittees and Advisory Committees

Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Pricing Committee	Typically, in an open meeting the full board appoints three members to serve as a pricing committee, with one alternate.	The pricing committee is delegated the authority to sell bonds, including determining the final terms and conditions of the bonds.	Tx. Gov't Code, ch. 1371 and Sec. 1232.056. (Pursuant to 1232.056, pricing committees are not subject to the Open Meetings Law.)
Contract Negotiating Committee	Authority to delegate contracting authority to one or more board members, for negotiating contracts needed for bond issues, has never been exercised.	Purpose of such committees was intended to permit evaluation of qualifications of outside consultants to be considered by fewer than a quorum of the board, outside of open meeting.	Tx. Gov't Code, Sec. 1232.1191

V. Funding

A. Provide a brief description of your agency's funding.

The Authority's budget consists of two categories: agency operating budget for general administrative operations and bond debt service budget for paying debt on outstanding obligations.

Administrative Operating Budget
Beginning in FY 2001, the method of finance for the agency's operating budget shifted from revenue bond proceeds to general revenue. The Authority also funds a portion of its operating budget from administrative fees collected from other state agencies and universities that participate in the Master Lease Purchase Program. The Authority charges an administrative fee on the outstanding principal balance of each lease and uses the fees to pay the ongoing costs of the program and a portion of the general agency operations. The lease payments and administrative fees are typically funded with general revenue. The portion of the Authority's operating budget funded from these appropriated receipts has increased in recent years, particularly in the past two biennia, when the Legislature funded the Authority's exceptional item requests from appropriated receipts to minimize the impact on General Revenue.

Bond Debt Service Budget
General obligation bond debt service is appropriated at the End of Article in the General Appropriations Act ("GAA") and is recapped in the Authority's bill pattern in Rider 2, as an Informational Item. Lease payments are included in agency's bill patterns for revenue bonds and required to be transferred to the Authority for payment of outstanding debt and bond administration costs. Most of the debt service appropriated in the GAA is paid from General Revenue.

B. List all riders that significantly impact your agency's budget.

Riders 2-7 below, provide the necessary authority to administer the outstanding debt, including paying the debt service and ongoing bond administration costs, as required, until the debt is paid in full. Additionally, Rider 5 appropriates the administrative fee the agency collects from MLPP participating agencies for agency operations and ongoing costs related to the program.

- Rider 2. Information Listing of Appropriated Funds (for general obligation bond debt service appropriated at the End of Article).
- Rider 3. Appropriation and Transfer Authority of Interest and Sinking Funds for General Obligation Bond Debt Service Payments.
- Rider 4. Appropriation and Transfer Authority for Revenue Bond Lease Payments.
- Rider 5. Appropriation and Transfer Authority for Master Lease Purchase Program Payments and Administrative Fees.
- Rider 6. Appropriation and Transfer Authority for Unexpended Balances in Bond Related Funds.
- Rider 7. Appropriation and Transfer Authority

Riders 8 and 10 below, provide the flexibility to increase the agency's administrative operating budget.

- Rider 8. Contingency Funding for Agency Operations: Additional Bond Issues.
- Rider 10. Appropriation of Collected Fees.

Rider 9 was added in the 2007-2008 biennium following an across the board reduction for out-of-state travel. This rider is significant as it excludes bond costs of issuance related travel from similar across the board reductions that may occur in the future and permits the agency to carry out its mission to issue debt without this budget limitation.

- Rider 9. Travel Cap Exemption for Bond Sale Travel.

C. Show your agency's expenditures by strategy.

Texas Public Finance Authority Exhibit 5: Expenditures by Strategy – Fiscal Year 2008 (Actual)		
Goal/Strategy	**Total Amount**	**Contract Expenditures Included in Total Amount**
A. Goal: Finance Capital Projects		
1.1. Analyze Financings and Issue Debt	$436,093.60	390.71
2.1. Manage Bond Proceeds	$439,596.46	393.85
2.2. Bond Debt Service Payments (General Obligation Only)	$309,335,318.17	$27,750.00*
GRAND TOTAL	$310,211,008.23	

*Additional contracts related to ongoing bond administration and costs of issuance administered through this strategy are reflected off budget.

D. Show your agency's objects of expense for each category of expense listed for your agency in the General Appropriations Act FY 2009-2010.

Texas Public Finance Authority Exhibit 6: Objects of Expense by Program or Function – Fiscal Year 2009 (Actuals Thru 07/31/2009)			
Object of Expense	**Analyze Financings and Issue Debt**	**Manage Bond Proceeds**	**GO Bond Debt Service Payments**
1001-Salaries and Wages	$355,198.87	$358,052.04	$0.00
1002-Other Personnel Costs	$12,567.66	$9,100.17	$0.00
2001-Professional Fees and Services	$18,929.33	$19,081.37	$278,015.52
2003-Consumable Supplies	$1,150.28	$1,159.52	$0.00
2004-Utilities	$805.19	$811.65	$0.00
2005-Travel	$6,464.04	$6,515.99	$0.00
2006-Rent-Building	$37.92	$38.24	$0.00
2007-Rent Machine and Other	$1,415.80	$1,427.20	$0.00
2008-Debt Service	$0.00	$0.00	$318,305,058.03
2009-Other Operating Expenses	$15,522.37	$15,646.72	$0.00
Total	$412,091.46	$411,832.90	$318,583,073.55

E. Show your agency's sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Texas Public Finance Authority Exhibit 7: Sources of Revenue – Fiscal Year 2008 (Actual)	
Source	**Amount**
General Revenue – GAA, 80th Legislature	$542,107.00
Appropriated Receipts - GAA, 80th Legislature	$339.042.00
Reimbursements and Payments, Article IX, Section 8.03	$4,545.75
Charter School Receipts, Article I, PPI-48, Rider 10	$19,000.00
2.0% Legislative Salary Increase, Article IX, Section 19.62	$13,132.05
TOTAL	$917,826.80

F. If you receive funds from multiple federal programs, show the types of federal funding sources.

Texas Public Finance Authority Exhibit 8: Federal Revenue – Fiscal Year 2008				
Type of Fund	**State/Federal/Match Ratio**	**State Share**	**Federal Share**	**Total Funding**
N/A	N/A	N/A	N/A	N/A

*Beginning in FY2010, the Authority will receive a 35% tax credit of the interest payment from the federal government for bonds issued under the Build America Bonds federal subsidy program included in the American Recovery and Reinvestment Act of 2009 (ARRA).

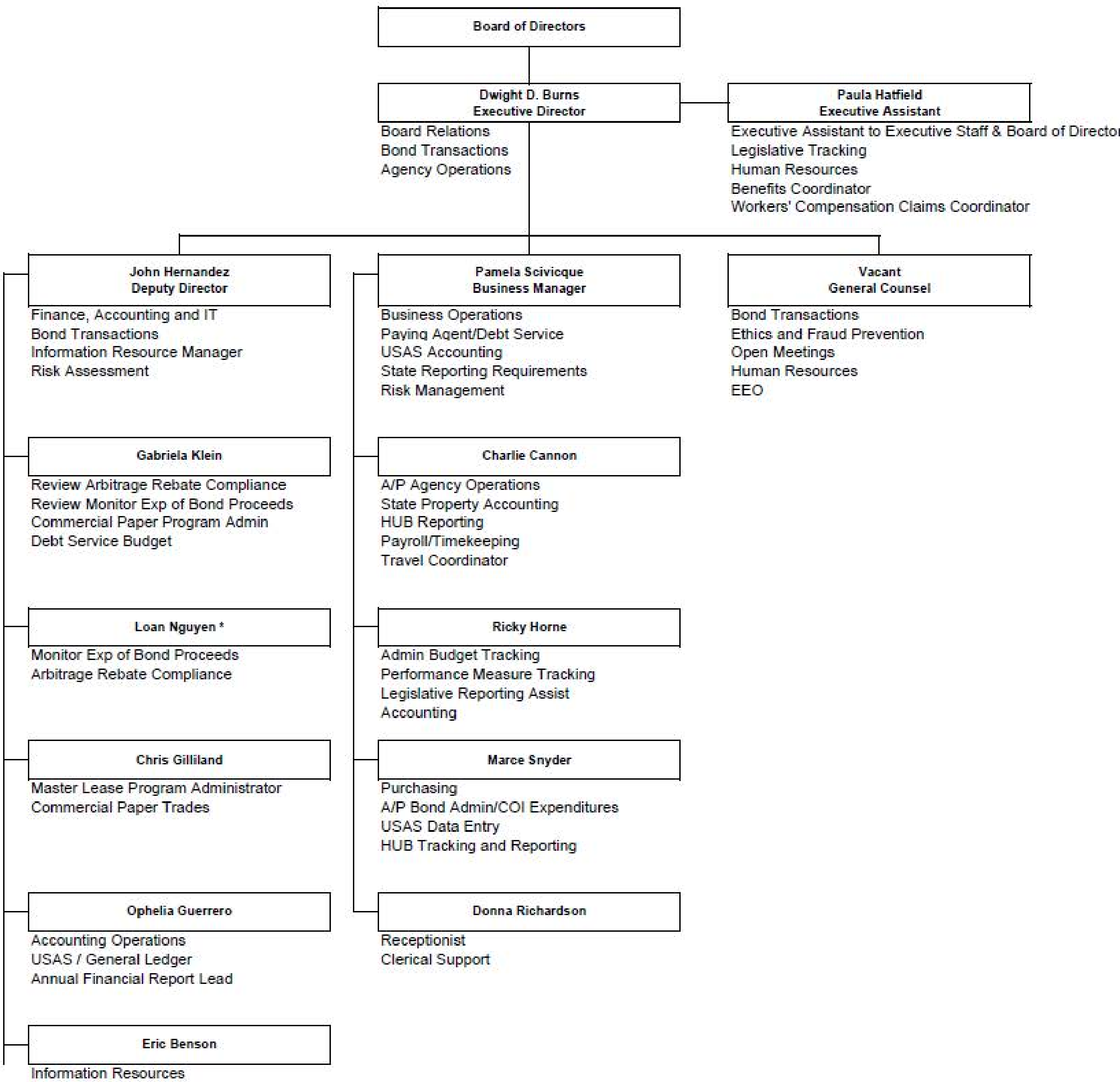
G. If applicable, provide detailed information on fees collected by your agency.

Texas Public Finance Authority Exhibit 9: Fee Revenue – Fiscal Year 2008				
Fee Description/ Program/ Statutory Citation	**Current Fee/ Statutory maximum**	**Number of persons or entities paying fee**	**Fee Revenue**	**Where Fee Revenue is Deposited (e.g., General Revenue Fund)**
MLPP Administrative Fee	.5%/1.5%	21	$608,026.23	MLPP Administration Fund 0735, Appropriation 05862
Charter Schools	$5,000.00*	5	$19,000.00*	General Revenue Fund 0001, Appropriation 20010

*The Authority collected $2,000 from two Charter Schools financed through CSFC and the fee was subsequently increased to $5,000 for grants awarded after July 2007.

VI. Organization

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.



B. If applicable, fill in the chart below listing field or regional offices.

Texas Public Finance Authority Exhibit 10: FTEs by Location – Fiscal Year 2008			
Headquarters, Region ,or Field Office	**Location**	**Number of Budgeted FTEs, FY 2008**	**Number of Actual FTEs as of August 31, 2008**
Headquarters	Austin	15	13.6
	Total	15	13.6

C. What are your agency's FTE caps for fiscal years 2008-2011?

The Authority's FTE cap is 15 for FY 2008-2011.

D. How many temporary or contract employees did your agency have as of August 31, 2008?

The agency did not have any temporary or contract employees as of August 31, 2008.

E. List each of your agency's key programs or functions, along with expenditures and FTEs by program.

Texas Public Finance Authority Exhibit 11: List of Program FTEs and Expenditures – Fiscal Year 2008		
Program	**FTEs as of August 31, 2008**	**Actual Expenditures**
A.1.1. Analyze Financings and Issue Debt	6.8	$436,093.60
A.2.1. Manage Bond Proceeds	6.8	$439,596.46
A.2.2. Bond Debt Service Payments (General Obligation only)	0	$309,335,318.17
TOTAL	13.6	$310,211,008.23

VII. Guide to Agency Programs

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Goal: Finance Capital Projects Cost Effectively and Manage Debt Efficiently
Location / Division	Austin
Contact name	Dwight D. Burns
Actual Expenditures, FY 2008	$310,211,008.23
Number of FTEs as of August 31, 2008	13.6

B. What is the objective of this program or function? Describe the major activities performed under this program.

TPFA's primary activities are to provide timely funding for agencies at the lowest possible cost of borrowing to the State, monitor bond proceeds, and pay debt service on time. The Authority is directed by Chapters 1232 and 1401 Texas Government Code to issue revenue bonds and general obligation bonds for buildings and equipment to finance legislatively authorized projects. Constitutional Amendments since 1987 have authorized a total of $8.5 billion of general obligation bonds to finance adult and youth correction institutions, mental health and mental retardation institutions and renovation, repair and construction of state facilities and other programs. Revenue bond financed projects for the Texas Facilities Commission, other state agencies, and institutions of higher education include building facilities in the capitol complex and elsewhere in the state.

The Analyze Financings and Issue Debt strategy of the agency offers the necessary resources to provide financing for capital projects and equipment. The number and costs of projects authorized by the legislature affects the level of debt issuance. Interest rates and general economic conditions affect the cost of issuing debt.

The Board of Director's approves requests for financings submitted by client agencies. This includes, but is not limited to, selecting a method of sale, appointing outside consultants, designating a pricing committee (negotiated sales, only) and issuing the debt. In FY 2008, the agency approved sixteen (16) requests for financing totaling $1.1 billion from eleven (11) separate state agencies. Included in these requests are two bond defeasances, one to defease the remaining outstanding Texas Workforce Commission fixed rate debt totaling $2.48 million and the other to defease $3.09 million in debt for Texas Southern University. Additionally, the agency took advantage of the low interest rate environment by refunding some outstanding general obligation and revenue bonds, reducing outstanding debt in future years.

The Manage Bond Proceeds strategy is driven by the strategy stated above. Specifically, it supports effective, efficient and accountable state government operations by providing for the required management of bond proceeds, compliance with bond covenants and payment of debt service on the debt obligations, which will ensure the state's continued access to the tax exempt bond market at the lowest possible cost. This strategy covers the payment of lease revenue bond debt service and bond administration costs on all outstanding debt. New authorization, issuances and Federal tax law directly impact the monitoring function.

The Bond Debt Service Payments strategy requests appropriations for debt service and ongoing commercial paper costs on outstanding bonds and the anticipated issuance of new general obligation debt. There are no personnel associated with this strategy as it is administered directly through the Manage Bond Proceeds strategy. The Legislature appropriates General Obligation bond debt service to TPFA at the end of article in the GAA. General Obligation bond debt service is reflected in the Authority's bill pattern in a rider as information listing of appropriated funds. New authorization, issuances directly impact the debt service function.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The efficiency and effectiveness of the Authority's debt issuance is managed on a transaction basis by the Authority's Board of Director's on both negotiated and competitive bond issues. In a negotiated transaction, the board approves a finance team, a structure, and a pricing committee. The pricing committee is provided with information necessary to determine if a bond transaction meets the Authority's goals prior to and at the time of pricing. If the Authority's goals are met, the Authority will accept the Underwriters offer to buy the bonds at the specific rates, terms and structure. Following a negotiated bond sale, an executive summary is provided to the Board with a post sale analysis comparing TPFA's bond issue to other issuers in the market at or near the same time.

In a competitive bond sale, underwriters are selected through a competitive bid process. The Board selects the underwriter with the lowest true interest cost. The underwriter determines the participants in the underwriting syndicate.

Other measures of the agency's effectiveness can be demonstrated in the percent of bond debt issues completed within 120 days and commercial paper completed in 90 days of receipt of client agencies requests for financing. In FY 2008, the agency completed 81.25% of bond debt issues within 120 days. For the same period, 64.29% of commercial paper debt issuances were completed within 90 days of receipt of client agencies request for financing. In 2008, the 80^{th} Legislature, Article IX, Sections 19.70 and 19.71 required the Authority to obtain additional approval, prior to the issuance of debt, from the Legislative Budget Board. In 2008, five of the eight requests through the agency's commercial paper program were delayed due to this additional step in the approval cycle.

For refunding issues, the Board establishes savings parameters to be achieved when structuring refunding bond issues. In FY 2008, the percent savings of refunded bonds ranges from a low of 3.283% to a high of 7.992% representing an average present value savings of 6.353%, or $30,528,237.85.

Regarding debt service payments, 100% of debt service has been paid in full and on time.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The development of the agency and changes in its debt issuance authority are delineated in the general history provided in III above.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Authority's sole mission (program) is to issue general obligation and revenue bonds or notes to finance capital needs of the state and its agencies as directed by the Legislature. Thus, other state agencies are affected primarily. Additionally, the municipal bond market industry, consisting of investment banking firms, financial advisers, rating agencies, and bond counsel, are affected by the Authority's work.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Authority's responsibilities for debt issuance is governed by policies established by the board, administrative rules adopted by the board, and procedures established to carry out the policies effecting debt issuances and administration in the most efficient and cost-effective manner possible.

Below is a sample bond issuance timeline:

- May 31st - Legislature authorizes project and debt issuance
- July 13th - Agency governing body adopts a resolution
- July 27th - Agency submits request for financing to TPFA
- August 6th - TPFA Board approves request, determines type of debt instrument and sale process
- August - TPFA structures the debt issue
- September 1st – TPFA submits BRB application
- September 8th – BRB planning session
- September 17th - BRB approves issuance of debt
- October 1st - Bond sale
- October 22nd – Closing/proceeds deposited in project fund

Below is a sample commercial paper timeline:

- May 31st - Legislature authorizes project and debt (first tranche only)
- July 13th - Agency governing body adopts a resolution
- July 27th - Agency submits request for financing to TPFA
- August 6th - TPFA Board approves request, determines type of debt instrument and sale process

- August - TPFA determines size of CP issuance
- September 1st – TPFA submits BRB application
- September 8th – BRB planning session
- September 17th - BRB approves issuance of debt
- September 22nd - Issue CP/Deposit proceeds in project fund

No field or regional services are provided.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues)

The agency's budget structure is complex due to the nature of its business and as the issuer of debt for over twenty different state agencies and universities. The Authority is appropriated general revenue and appropriated receipts for administrative operations and receives additional appropriations from the Legislature for GO bond debt service and lease payments for revenue bonds through riders in TPFA's bill pattern.

In addition to these appropriations, bond proceeds for costs of issuance are appropriated to the Authority for the payment of bond administration costs, as required in order to comply with bond covenants. Bond proceeds are appropriated to the agency through a rider in Article IX, GAA.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

While other Texas state agencies issue bonds, TPFA is the only state entity whose purpose is to consolidate the bond financings of multiple entities and pay debt service on those bonds.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understandings (MOUs), interagency agreements, or interagency contracts.

Not applicable as the Authority's work does not duplicate other agencies or programs.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Pursuant to Texas Education Code, section 53.351, the board established a non-profit corporation, named the Texas Public Finance Authority Charter School Finance Corporation, ("CSFC") to issue debt for charter schools. The Corporation now functions almost wholly independent from the board and has successfully issued debt for a few charter schools. In addition, CSFC joined a consortium, with the Texas Education Agency and the Texas Charter School Resource Center, for a federal grant to provide credit enhancement assistance to charter school bonds. The federal program, referred to as the Texas Credit Enhancement Program (TCEP), was awarded a $10 million grant by the US Department of Education in 2006. Under the TCEP, CSFC is charged with awarding the federal funds to the charter schools. The funds awarded to a school are maintained in the State Treasury, and are allocated to a specific charter school bond issue's debt reserve requirement for the entire term the bonds are outstanding. The federal funds continue to accrue interest; the interest accumulated may be awarded to additional charter school bonds. Approximately $1 million remains to be allocated to new charter school bonds. Under contract with CSFC, the Authority's staff provides all administrative and legal support to the Corporation and administers the TCEP program.

K. If contracted expenditures are made through this program please provide:
   a. The amount of those expenditures in fiscal year 2008;
   b. The number of contracts accounting for those expenditures;
   c. A short summary of the general purpose of those contracts overall;
   d. The methods used to ensure accountability for funding and performance; and
   e. A short description of any current contracting problems.

Contract	Amount	Number	Accountability/ Performance	General Purpose	Issues
Employees' Assistance Program	$784.56	1	None	Staff professional services	None
Arbitrage Rebate Consulting	$27,750.00	1	Per issue	Computation of arbitrage rebate	None
Wachovia Insurance Services	$562,902.59	1	None	Insurance on Revenue bond financed buildings	None
FM Global Insurance Company	$16,902.59	1	None	Insurance on Revenue bond financed buildings	None

The Authority enters into contracts under its enabling legislature as required to issue debt with financial advisors and bond counsel firms for work associated with issuing bonds. Also included in contract expenditures are other costs of issuance that may include paying agents, remarketing agents, liquidity providers, underwriters, verification agents and escrow agents as necessary and as required. The agency enters into agreements with other entities for ongoing bond administration costs that may include expenses as property insurance premiums, arbitrage rebate services, paying agent fees and fees for publishing notices.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

1. Providing the board the ability to conduct an open meeting by telephone in limited circumstances would assist with improved efficiency and lower costs: for example, an emergency situation in which the board must adopt an impromptu bond resolution timely and an in-person quorum is difficult to achieve.

2. Exempting outside counsel contracts from supervision of the Office of the Attorney General would assist the Authority's programs in that it would reduce the time and duplication of review needed to engage bond counsel. Under Chapter 1201, section 1201.027, of the Tx. Gov't Code, the Legislature has authorized issuers to hire outside consultants needed to issue and sell debt, subject to the Attorney

General's supervision of outside counsel contracts. While the AG's review is most frequently non-substantive and simply requires additional administration, we are informed that the AG feels it is within that office's jurisdiction to challenge, question or override an agency's determination of which law firm to use based on its assessment of what is in the state's "best interest". However, the office handling outside counsel contracts does not have any expertise with bond issues. The agency issuing the debt is in a better position to evaluate counsel and know what it needs in order to get the best job done for the State.

3. With respect to Tx. Ed Code, section 53.351 and the debt issues of the CSFC created thereunder, if possible, a correction to an amendment of that section made in the 2007 legislative session would improve the Corporation's charter school issuance ability. Simply, an amendment was made in the 2007 which outside attorneys felt was necessary to make it clear the bond issues were eligible for federal tax-exempt treatment. The added clarification that the issues were "on behalf of the State" subjected said issues to review and approval by the Bond Review Board. This created concern for some schools that the local authorities are affected by local politics in some cases and charge very high fees for their issuances. TPFA's Corporation was intended to provide charters with a lower cost, neutral, state level issuing alternative. But, the local authorities, and the charter school borrowers, do not have to be approved by the Bond Review Board. The Corporation was intended solely as an alternative to the local issuers, therefore, it is not beneficial that the charter schools subject their financings to a state regulatory body, in addition to TEA.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

The following are key terms were have referenced throughout this document that relate to the municipal market.

- General Obligation Bonds - legally secured by a constitutional pledge of the first monies coming into the State Treasury that are not constitutionally dedicated for another purpose. Require resolution passed by a 2/3 vote of both houses of the legislature, and by a majority of the voters.
- Revenue Bonds – legally secured by a specific revenue source. Revenue bonds only require legislative approval and not voter approval.
- Commercial Paper – short-term variable rate debt with maturities ranging from one to two hundred seventy days. Can be secured by the state's general obligation pledge or by a specified revenue source.
- Bond Counsel – a specialized law firm hired by an issuer to prepare a legal opinion certifying that the issuer has complied with all legal requirements governing bond issuance and whether the interest paid on the debt will be exempt from federal and state income taxes. Bonds cannot be sold in the tax-exempt market without a legal opinion.
- Financial Advisor – a firm hired by an issuer to protect the issuer's interests during the bond issuance process providing guidance on structuring the debt and with decisions on whether to negotiate the sale or to use a competitive bid process and determine the date of the sale based on market analysis to minimize the interest rate.
- Costs of Issuance – fees and expenses paid to bond consultants for legal and financial advisory services, as well as fees for document drafting and printing, travel, and other bond-related expenses.

- Underwriter – intermediaries between bond issuers and investors. Underwriters purchase whole bond issues from issuers and resell pieces of that bond issue to investors at a profit.
- Spread – the profit make by an underwriter involved in selling a particular bond issue.
- Arbitrage – is the difference the interest paid on tax-exempt bonds and the interest earned by investing the proceeds in high yielding taxable securities.
- Self-Supporting – designated to be repaid with revenues other than state general revenues. It can be general obligation debt or revenue debt.
- Non Self-Supporting – is intended to be repaid with state general revenues. It can be either general obligation debt or revenue debt.

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:
   a. Why the regulation is needed;
   b. The scope of, and procedures for, inspections or audits of regulated entities;
   c. Follow-up activities conducted when non-compliance is identified;
   d. Sanctions available to the agency to ensure compliance; and
   e. Procedures for handling consumer/public complaints against regulated entities.

Not applicable to TPFA.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practice.

Texas Public Finance Authority
Exhibit 12: Information on Complaints Against Regulated Persons or Entities
Fiscal Years 2007 – 2008

	FY 2007	**FY 2008**
Total number of regulated persons	N/A	N/A
Total number of regulated entities	N/A	N/A
Total number of entities inspected	N/A	N/A
Total number of complaints received from the public	N/A	N/A
Total number of complaints initiated by agency	N/A	N/A
Number of complaints pending from prior years	N/A	N/A
Number of complaints initiated by agency	N/A	N/A
Number of jurisdictional complaints found to be without merit	N/A	N/A
Number of complaints resolved	N/A	N/A
Average number of days for complaint resolution	N/A	N/A
Complaints resulting in disciplinary action:	N/A	N/A
Administrative penalty	N/A	N/A
Reprimand	N/A	N/A
Probation	N/A	N/A
Suspension	N/A	N/A
Revocation	N/A	N/A
Other	N/A	N/A

VIII. Statutory Authority and Recent Legislation

A. Fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2005 - 2009, or earlier significant Attorney General opinions, that affect your agency's operations.

Texas Public Finance Authority Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	**Authority/Impact on Agency**
Texas Gov't Code, chs. 1232, 1401, 1403 Texas Gov't Code, chs 1201, et.seq. 34 TAC ch 181 26 USC 54AA, 103, 140 et.seq and regulations promulgated thereunder, 26 CFR 1,103-1, 1,141-0 et.seq. 15USC77a, 78a and SEC Rules 17CFR 240.17a, 240.10b5, and 240.15c2-12	Enabling law and additional enabling legislation Public finance law applicable to all Texas issuers Bond Review Board Admin Rules Federal tax law governing the issuance of tax-exempt debt by state and local governments. Portions of the Securities Acts of 1933 and 1934 applicable to exempt securities of state and local governments an applicable SEC rules relating to fraud and continuing disclosure
Attorney General Opinions	
Attorney General Opinion No.	**Impact on Agency**
None within the period of 2005 – 2009	N/A

B. Provide a summary of recent legislation regarding your agency by filling in the chart below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation).

Texas Public Finance Authority Exhibit 14: 81st Legislative Session Chart		
Legislation Enacted – 81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions**
SB 1016	Estes/Hager	Sunset legislation for the Department of Agriculture. Transfers Texas Agriculture Finance Authority (TAFA) debt issuance authority to TPFA.
HB 2546	Isett	Sunset legislation of the Texas Military Preparedness Commission. Converted the Commission to an advisory board.
HB 4409	Jackson	Emergency Preparedness and Management.
HB 4586	Ogden/Eiland	Reallocates TSU's Tuition Revenue Bond appropriation for TSU's facility repairs.
SB 2298	Farabee	Related to compensation of certain state employees.
Legislation Not Passed – 81st Legislative Session		
Bill Number	**Author**	**Summary of Key Provisions/Reason the Bill Did Not Pass**
HJR73/SJR 17	Deshotel/Van De Putte	A constitutional amendment authorizing the issuance of general obligation bonds to provide and guarantee loans to encourage the use of hydrogen as a cleaner fuel source.

HB 1777/SB380	Deshotel/Van De Putte	Enabling laws for HJR 73/SJR 17.
SJR 28	Ellis	Constitutional amendment authorizing up to $1 billion of general obligation bonds to provide and guarantee loans to promote the use of renewable energy.
SB 975	Ellis	Enabling law for SJR 28.
JHR 123/SJR 39	Hancock/Averitt	Constitutional amendment authorizing up to $300 million of general obligation bonds for clean energy projects.
HB 2811/SB 2111	Hardcastle/Averitt	Enabling laws for HJR 123/SJR39.
HJR 1	Alonzo	Constitutional amendment authorizing up to $3 billion general obligation, at $300 million a year, to develop and maintain research.
HB 4591	Alonzo	Enabling law for HJR 1.
SJR 45	Lucio	Constitutional amendment authorizing up to an additional $175 million general obligation bonds and notes to provide financial assistance to counties for roadway projects to serve border colonias (a total of $350 million).
SB 2286	Lucio	Enabling law for SJR 45.
HB4021/SB1146	Branch/Zaffrini	Relating to authorizing the issuance of revenue bonds or other obligations to fund capital projects at public institutions of higher education, including TPFA's 3 institutions.
HB 1732/SB696	Chavez/Ellis	Relating to the lease of certain state parking facilities to other persons.
HB 838/SB597	Christian/Nichols	Relating to authorizing the issuance of revenue bonds for a molecular science building at Stephen F. Austin State University.
HB1815	Isett	Relating to the creation of a state agency to facilitate public-private partnerships to plan and take action regarding governmental projects.
SB 1973	Ellis	Creates the State Energy Savings performance contract advisory council.

Bill Number	Author	Summary of Key Provisions/Reason the Bill Did Not Pass
HB2487/SB1379	Eiland/Hinojosa/Williams	Relating to the establishment, funding, and operation of the Texas natural disaster catastrophe fund and the disaster preparedness and mitigation grant council.
HB 3015	Coleman	Relating to payment of excess losses and operating expenses incurred by the Texas Windstorm Insurance Association, including funding for certain catastrophic events through the issuance of public securities.
SB 14	Fraser	Relating to the operation of the Texas Windstorm Insurance Association and the Texas FAIR Plan Association.
HB 3853	Eiland	Relating to the operation of the Texas Windstorm Insurance Association.
HB 4733	Smithee/Edwards	Relating to the operation and funding of Texas Windstorm Insurance Association, including funding of coverage for certain catastrophic events through the issuance of public securities.
HB481	Vessey	An open document format for electronic state documents.
SB 331	Carona	Access to certain information under the public information law concerning public officers and employees.
HB485	Gonzales	Ethics training for legislators and certain other state officers and employees.
HB 535	Anchia	Provision of a preference in state purchasing decisions for vendors that provide health benefits to employees.
HB 849/SB1150	Strama/Rose	Relating to the liability of the state for a violation of the federal Americans with Disabilities Act.
HB 933	Dutton	Relating to liability of a governmental unit for personal injury and death caused by the governmental unit's negligence.
HB 970	Lucio III	Relating to considering ownership interests of disabled persons in determining whether a business is a historically underutilized business for purposes of state contracting.
HB 2670	Thibaut/Menendez	Relating to governmental liability for interest resulting from a claim for payment of goods or service.
SB 1805	Zaffirini	Relating to contracting issues of state agencies, including ethics issues related to state contracting.
HB 4586	Ogden/Eiland	Supplemental Appropriations Bill.
HB 437	Lucio III	A limitation on the use by state agencies of credit information regarding certain job applicants.
HB 538	Villareal	Prohibition of employment discrimination on the basis of sexual orientation or gender identity or expression.
SB 871	Lucio	Relating to the state employee wellness program, including health risk assessments of state employees.
HB 3631/SB 2298	Farabee/Watson	Relating to compensation of certain state employees.

IX. Policy Issues

Open Meetings

A. A quorum of the board must be present to conduct an open meeting.

B. Providing the board the ability to conduct an open meeting by telephone in limited circumstances would assist with improved efficiency and lowering costs.

C. Modify the Authority's statute to authorize one or more board members to participate in an open meeting via a live interactive feed.

Outside Counsel Contracts

A. Under Chapter 1201, section 1201.027, of the Tx. Gov't Code, the Legislature has authorized issuers to hire outside consultants needed to issue and sell debt, subject to the Attorney General's supervision of outside counsel contracts.

B. While the AG's review is most frequently non-substantive and simply requires additional administration, we are informed that the AG feels it is within that office's jurisdiction to challenge, question or override an agency's determination of which law firm to use based on its assessment of what is in the state's "best interest".

C. The agency issuing the debt is in a better position to evaluate counsel and know what it needs in order to get the best job done for the State. Exempting outside counsel contracts from supervision of the Office of the Attorney General would assist the Authority's programs in that it would reduce administrative costs and duplication of review needed to engage bond counsel.

Charter School Corporation

A. An amendment was made in the 2007 which outside attorneys felt was necessary to make it clear the bond issues were eligible for federal tax-exempt treatment. The added clarification that the issues were "on behalf of the State" subjected said issues to review and approval by the Bond Review Board.

B. The problem for some schools was and is that the local authorities are affected by local politics in some cases and charge very high fees for their issuances. The CSFC was intended to provide charters with a lower cost, neutral, state level issuing alternative. But, the local authorities, and the charter school borrowers, do not have to be approved by the Bond Review Board. The CSFC was intended solely as an alternative to the local issuers, therefore it is not as beneficial that the charter schools subject their financings to a state regulatory body, in addition to TEA.

C. A correction to the amendment of that section which was made in the 2007 legislative session would improve the CSFC's charter school issuance ability.

X. Contacts

A. **Fill in the following chart with updated information on people with an interest in your agency, and be sure to include the most recent e-mail address.**

Texas Public Finance Authority Exhibit 15: Contacts			
INTEREST GROUPS			
Group or Association Name/ Contact Person	**Address**	**Telephone**	**E-mail Address**
Ambac Assurance Corp., Craig Charlton	One State Street Plaza, New York, NY, 10004	(212)-208-3281	
Andrews & Kurth LLP, Jerry Kyle	111 Congress Avenue, Suite 1700, Austin, TX, 78701-4069	(512)-320-9200	jerrykyle@andrewskurth.com
Bank of America, Mark Nitcholas	5 Post Oak Pkwy, 4400 Post Oak Pkwy Suite 2670 , Houston, TX, 77027	(713)-247.7025	mark.nitcholas@bankofamerica.com
Bank of New York, Eva Derry		(512)236-6508	eva.x.derry@bankofny.com
Bank of New York, Dorothy Miller		(512)236-6506	domiller@bankofny.com
Barclays Capital, John Daniel	World Financial Center, North Tower, 9th Floor, New York, NY, 10281-1309	(212) 526-3508	jodaniel@barclayscapital.com
Bates & Coleman PC, Randy Bates		(713) 759-1500	rbates_esq@sbcglobal.net
Bickerstaff Delgado Acosta, Hector Delgado	221 N. Kansas, Suite 1400, El Paso, TX, 79901	(915)-544-9997	
Butler Wick & Co., Omar Ganoom			ganoomo@butlerwick.com
Butler Wick & Co., Robert Perrier		(440) 899-0082	perrierr@butlerwick.com
Cabrera Capital Markets, Martin Cabrera		312 236-8888	mc@cabreracapital.com
Caprock Securities, Chris Mayes		512/322-0133	chrismayes@austin.rr.com
CIBC World Markets Corp., Deborah Johnson			houstonmuni@bloomberg.net
CIFG Services Inc., Katherine McManus		212-909-3921	k.mcmanus@cifg.com
Citigroup, Andy Bynam		(713) 965-5085	anderson.bynam@citigroup.com
Coastal Securities, Tim Kelley	909 NE Loop 410, Suite 300, San Antonio, TX, 78209	(210) 487-7000	thk@coastalsecurities.com
Deloitte Tax, LLP, Andy Parker	301 Commerce St., Ste. 2950, Ft. Worth, TX, 76102	(817)-347-3320	aparker@deloitte.com
Depfa First Albany, Vince Matrone			vincent.matrone@depfa.com
Depfa First Albany, Tilghman Naylor			tilghman.naylor@depfa.com
Depository Trust Company, Virgil Rodriguez		212-855-4504	vrodriguez@dtcc.com
Depository Trust Company, Lorraine Gordon	711 Stewart Avenue, Garden City, NY, 11530-4719	212 855-4493	lorrainegordeon@dtcc.com
Deutsche Bank Trust Company Americas, Angel Milanes		(212) 250-2622	angel.milanes@db.com
Deutsche Bank Trust Company Americas,	60 Wall St, MS NYC60-2715, NY	212-250-5495	Joseph.dattoli@db.com

Joseph Dattoli	NY 10005-2858		
Duncan Williams, Chris Melton	Austin, TX, 787	(512)-	dwaustin@realtime.net
Edward Jones & Company, Robert Beck			bob.beck@edwardjones.com
Edward Jones & Company, David Faris		(713) 668-4415	David.Faris@edwardjones.com
Escamilla & Poneck, Juan Aguilera		(210) 225-0001	jaguilera@escamillaponeck.com
Escamilla & Poneck, Doug Poneck		(210) 225-0001	dponeck@escamillaponeck.com
Estrada Hinojosa & Company, Robert Estrada	1717 Main Street, 47th Floor, LB 47, Dallas, TX, 75201	(214) 658-1670	estrada@estradahinojosa.com
Fidelity Capital Markets Services, Timothy Coffin		(617) 563-0391	timothy.coffin@fmr.com
Financial Guaranty Insurance Co., David Lopp	115 Broadway, New York, NY, 10006	(212)-312-3015	
Financial Security Assurance, Inc., Barbara Boulle		212-339-3504	bboulle@fsa.com
Financial Security Assurance, Inc., Nick Boyle	100 Crescent Court, Ste. 270, Dallas, TX, 75201	(214)-720-2095	
First Southwest Company, Michael Bartolotta	1021 Main Street, Suite 2200, Houston, TX, 77002	(713) 654-8641	mbartolotta@firstsw.com
First Southwest Company, Tim Peterson	1021 Main Street, Suite 2200, Houston, TX, 77002	(713)-654-8616	tpeterson@firstsw.com
Fitch Ratings, Dan Black	600 West 8th Street, Austin, TX, 78701	(512)-215-3728	dan.black@fitchratings.com
Friedman Luzzatto & Co., Barry Friedman	14755 Preston Road, Suite 424, Dallas, TX, 75240	(972)-404-1011	barryf@fl-co.com
Fulbright & Jaworski, Paul Braden	221 N. Kansas, Suite 1400, El Paso, TX, 79901	(915) 351-6053	pbraden@fulbright.com
George K. Baum & Company, Courtney Knight		816 283-5110	knightc@gkbaum.com
Goldman Sachs & Co., Lisa Recupero		(212) 902-6373	Lisa.Recupero@gs.com
Goldman Sachs & Co., Terry Thornton		713 276-3545	terry.thornton@gs.com
I-Deal, Karen Tormey-Lettieri		212-849-5161	karen.tormey-lettieri@ipreo.com
Jackson Securities, Reuben McDaniel,III	100 Peachtree Street, N.W., Suite 2250, Equitable Bldg., Atlanta, GA, 30303-1912	(404)-522-5766	rmcdaniel@jacksonsecurities.com
JP Morgan Chase, Peter McCarthy		(212) 834-7224	peter.mccarthy@jpmorgan.com
Locke Liddell & Sapp LLP, Curtis Ashmos			cashmos@lockeliddell.com
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XI. Additional Information

A. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.

Texas Public Finance Authority Exhibit 16: Complaints Against the Agency – Fiscal Year 2007 and 2008		
	FY 2007	**FY 2008**
Number of complaints received	None	None
Number of complaints resolved	N/A	N/A
Number of complaints dropped/found to be without merit	N/A	N/A
Number of complaints pending from prior years	N/A	N/A
Average time period for resolution of a compliant	N/A	N/A

B. Fill in the following chart detailing your agency's Historically Underutilized Business (HUB) purchases

Texas Public Finance Authority Exhibit 17: Purchases from HUBs				
FISCAL YEAR 2006				
Category	**Total $ Spent**	**Total HUB $ Spent**	**Percent**	**Statewide Goal**
Heavy Construction	$0.00	$0.00	0%	11.9%
Building Construction	$0.00	$0.00	0%	26.1%
Special Trade	$0.00	$0.00	0%	57.2%
Professional Services	$578,594	$0.00	0%	20.0%
Other Services	$649,245	$630	0%	33.0%
Commodities	$5,856	$3,320	0%	12.6%
TOTAL	$1,233,695	$3,950		
FISCAL YEAR 2007				
Category	**Total $ Spent**	**Total HUB $ Spent**	**Percent**	**Statewide Goal**
Heavy Construction	$0.00	$0.00	0%	11.9%
Building Construction	$0.00	$0.00	0%	26.1%
Special Trade	$0.00	$0.00	0%	57.2%
Professional Services	$726,219	$0.00	0%	20.0%
Other Services	$1,018,663	$18,132	1.8%	33.0%
Commodities	$15,588	$11,423	73.3%	12.6%
TOTAL	$1,760,470	$29,556		

FISCAL YEAR 2008				
Category	Total $ Spent	Total HUB $ Spent	Percent	Statewide Goal
Heavy Construction	$0.00	$0.00	0%	11.9%
Building Construction	$0.00	$0.00	0%	26.1%
Special Trade	$0.00	$0.00	0%	57.2%
Professional Services	$684,859	$0.00	0%	20.0%
Other Services	$815,855	$608	.74%	33.0%
Commodities	$9,976	$6,122	61.3%	12.6%
TOTAL	$1,510,691	$6,730		

C. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy?

It is the Authority's policy to meet or exceed the guidelines promulgated by the Legislature and the Texas Comptroller of Public Accounts regarding the use of Historically Underutilized Businesses. This includes the use of HUBs for bond issuance (such as financial advisors, bond counsel and financial printers), bond underwriting, and day-to-day administrative expenditures.

Factors Affecting Attainment:
In the "Professional Services" and "Other Services" categories, the agency made large expenditures related to the issuance and ongoing administration of bond issues to paying agents, which are commercial banks, rating agencies and property and casualty insurance companies. To date, no HUB firms have been identified as providing paying agent, bond rating services, or major property insurance. Additionally, underwriting fees are not reflected in the HUB report as this fee is netted from bond proceeds prior to the deposit of funds into the State Treasury.

"Good-Faith" Efforts:
The agency made the following good faith efforts to comply with statewide HUB procurement goals contained in 34TAC 20.13:

a) included HUBs and other minority or woman-owned firms in the underwriting pool for negotiated bond transactions; and,
b) for competitive bond sales, the agency required all bidders to make a good faith effort to include HUBs and other minority or woman-owned firms in an underwriting syndicate.

D. For agencies with contracts valued at $100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of $100,000 or more? (Tex. Government Code, Sec. 2161.252; TAC Title 34, Part 1, rule 20.14).

Yes.

E. For agencies with biennial appropriations exceeding $10 million, answer the following HUB Questions.

N/A: The agency's biennial appropriations do not exceed $10 million.

F. Fill in the chart below detailing your agency's Equal Employment Opportunity (EEO) statistics.

Texas Public Finance Authority Exhibit 18: Equal Employment Opportunity Statistics							
FISCAL YEAR 2006							
Fee Description/ Program/ Statutory Citation	**Total Positions**	**Minority Workforce Percentages**					
		Black		**Hispanic**		**Female**	
		Agency	**Civilian Labor Force %**	**Agency**	**Civilian Labor Force %**	**Agency**	**Civilian Labor Force %**
Officials/Administration	2	0%	6.6%	50%	14.2%	50%	37.3%
Professional and Para-Professional	10	10%	8.3%	30%	13.4%	80%	53.2%
Technical	1	0%	12.4%	0%	20.2%	0%	53.8%
Administrative Support	2	0%	13.2%	0%	31.9%	100%	66.2%
Service Maintenance	0	0%	12.8%	0%	44.8%	0%	39.7%
Skilled Craft	0	0%	5.1%	0%	46.9%	0%	5.1%
FISCAL YEAR 2007							
Fee Description/ Program/ Statutory Citation	**Total Positions**	**Minority Workforce Percentages**					
		Black		**Hispanic**		**Female**	
		Agency	**Civilian Labor Force %**	**Agency**	**Civilian Labor Force %**	**Agency**	**Civilian Labor Force %**
Officials/Administration	2	0%	9.0%	50%	23.7%	50%	38.8%
Professional and Para-Professional	11	9.09%	11.7%	27.27%	19.9%	72.73%	54.5%
Technical	0	0%	17.0%	0%	27.0%	0%	55.6%
Administrative Support	2	0%	13.2%	0%	31.9%	100%	66.2%
Service Maintenance	0	0%	12.8%	0%	44.8%	0%	39.7%
Skilled Craft	0	0%	5.1%	0%	46.9%	0%	5.1%

FISCAL YEAR 2008							
Fee Description/ Program/ Statutory Citation	**Total Positions**	**Minority Workforce Percentages**					
		Black		**Hispanic**		**Female**	
		Agency	**Civilian Labor Force %**	**Agency**	**Civilian Labor Force %**	**Agency**	**Civilian Labor Force %**
Officials/Administration	2	0%	9.0%	50%	23.7%	50%	38.8%
Professional and Para-Professional	11	9.09%	11.7%	18.18%	19.9%	72.73%	54.5%
Technical	0	0%	17.0%	0%	27.0%	0%	55.6%
Administrative Support	1	0%	13.2%	0%	31.9%	100%	66.2%
Service Maintenance	0	0%	12.8%	0%	44.8%	0%	39.7%
Skilled Craft	0	0%	5.1%	0%	46.9%	0%	5.1%

G. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?

The agency has an Equal Employment and Affirmative Action Policy. The Equal Employment Policy requires all employees to attend EEO training each biennium. Through the recruiting and hiring process, the Authority strives to attain a workforce profile which is in parity with the statewide labor force.

The Board has the ongoing responsibility for establishing affirmative action policies and adopting the TPFA's Affirmative Action Plan ("Plan"), which shall be supported by the Board, Executive Director, and other management employees.

XII. Agency Comments

No additional comments.

SUNSET SELF-EVALUATION ATTACHMENTS
for
Texas Public Finance Authority

Attachment 1 - Enabling Statute

Attachment 2 - Annual Report - 2004-2008
TPFA has no annual reports.

Attachment 3 - Internal or External Newsletter - 2007-2008
TPFA has no newsletters.

Attachment 4 - Publications describing the agency
Texas Bond Review Board 2008 Annual Report

Attachment 5 - List of studies required by Legislature or Riders
N/A

Attachment 6 - List of Legislative or Interagency studies currently being performed
N/A

Attachment 7 - List of studies from other states/federal/national groups that relate or affect the agency with similar duties
N/A

Attachment 8 - Bio of policymaking body members

Attachment 9 - Copy of Recent Rules

Attachment 10 - Copy of Legislative Appropriation Request - 2010-2011

Attachment 11 - Copy of Annual Financial Report - 2006-2008

Attachment 12 - Operating Budget - 2007-2009

Attachment 13 - Map to illustrate regional boundaries
TPFA has no regional boundaries.

Attachment 14 - Quarterly Performance Reports - 2006-2008

Attachment 15 - Recent Studies Conducted by Outside Management or Academic Institution -
Survey of Organizational Excellence 2007

Attachment 16 - Copy of Agency Current Internal Audit Plan
TPFA Risk Assessment – March 31, 2009

Attachment 17 - Agency Current Strategic Plan

Attachment 18 - Internal Audit Reports - 2005-2009
N/A; see Attachment 16

Attachment 19 - State Auditors Office Reports - 2005-2009
Energy Savings Performance Contracts at Selected Agencies and Institutions of Higher Education – September 2008 (related to TPFA's Master Lease Purchase Program)

Attachment 20 - Customer Service Survey FY08