

SUPPLEMENTAL MATERIALS

AGENDA ITEM VII-F

Consideration of adopting a resolution authorizing the issuance of State of Texas College Student Loan Bonds in one or more series; and delegation of the authority for administration and approval of the activities necessary to complete the sale of the private activity bonds

RECOMMENDATION: Approval

Background Information:

Texas Higher Education Coordinating Board (THECB) staff is requesting approval to issue up to \$268.9 million in aggregate par and premium of private activity bonds in Fiscal Year 2023 to fund College Access Loans (CAL) to eligible students under Texas Education Code, Chapter 52, Subchapter C and to refund the 2013B bond series. THECB staff has determined that it will be necessary to issue these bonds in one or more series to provide adequate funding to maintain the student loan program. The refunding bonds will be sold if interest rates for municipal bonds remain favorable at the time of closing.

Key Points:

- An application to the Bond Review Board will be submitted for a portion of the state's allocation of private activity tax exempt volume cap for each bond series under TGC 1372.
- Up to \$200 million of volume cap will be utilized to issue new bonds to support new student loans during the 2023/2024 academic year.
- Up to \$68.9 million of volume cap will be utilized to refund the 2013B bond series that is callable on August 1, 2023.
- The THECB is a state voted issuer of private activity bonds.
- These bonds are authorized under the Texas Constitution, Sections 50b-4 through 50b-7.
- Total bond debt outstanding is approximately \$1.3 billion.
- Total bond-funded student loans outstanding is \$1.6 billion.
- The THECB has approximately \$800 million of constitutional bonding authority remaining.
- 10% of state ceiling is reserved for state voter issuers, and the THECB is authorized up to \$200 million or 6.80% for new bonds (Texas Government Code, Section 1372). Refunding bonds are authorized under a separate section of the statute under sub-ceiling 5.
- The agency sells general obligation tax exempt private activity bonds.

- The agency is required to maintain compliance with various state statutes, Securities Exchange Commission rules, and Internal Revenue Service regulations.
- These bonds are general obligation and are backed by the full credit of the State (Moody's and Standard and Poors AAA rating April 2022).
- The Office of the Attorney General is required to approve the final sale.

Historical Bond Sales

<u>Series</u>	<u>Par</u>	<u>Net Premium</u>	<u>Par + Net Premium</u>	<u>TIC</u>	<u>Sale Type</u>
2010R	\$ 51,865,000	\$ 4,673,925	\$ 56,538,925	2.31%	Negotiated
2011A	\$ 118,650,000	\$ 6,345,000	\$ 124,995,000	4.52%	Negotiated
2011B	\$ 27,020,000	\$ 2,041,285	\$ 29,061,285	1.46%	Negotiated
2011C	\$ 6,570,000	\$ 855,538	\$ 7,425,538	3.40%	Negotiated
2012	\$ 85,615,000	\$ 14,380,837	\$ 99,995,837	2.74%	Competitive
2013A	\$ 98,550,000	\$ 14,235,395	\$ 112,785,395	2.74%	Competitive
2013B	\$ 113,740,000	\$ 13,679,151	\$ 127,419,151	3.35%	Competitive
2014	\$ 68,130,000	\$ 13,014,804	\$ 81,144,804	2.93%	Competitive
2015	\$ 150,000,000	\$ 19,502,971	\$ 169,502,971	3.05%	Competitive
2016	\$ 158,065,000	\$ 21,930,090	\$ 179,995,090	4.11%	Competitive
2017	\$ 155,720,000	\$ 14,893,632	\$ 170,613,632	3.11%	Competitive
2018R	\$ 94,915,000	\$ 8,933,967	\$ 103,848,967	2.68%	Competitive
2019	\$ 159,965,000	\$ 10,310,723	\$ 170,275,723	3.35%	Competitive
2019R	\$ 45,965,000	\$ 8,890,263	\$ 54,855,263	2.12%	Competitive
2020A	\$ 88,865,000	\$ 10,849,446	\$ 99,714,446	2.25%	Competitive
2020B	\$ 73,340,000	\$ 14,151,173	\$ 87,491,173	1.42%	Competitive
2021A	\$ 146,880,000	\$ 30,576,006	\$ 177,456,006	2.12%	Competitive
2021B	\$ 72,385,000	\$ 21,478,913	\$ 93,863,913	1.39%	Competitive

Glenn Osher, Director of Financial Reporting, Accounting, and Budgeting will present this item. Richard Donoghue, Partner with McCall, Parkhurst & Horton, and Lee Donner, Managing Director with Hilltop Securities, Inc., will be available to answer any questions regarding the proposed resolution authorizing the issuance of the bonds, the delegation the authority to approve all final terms of the bonds, or the delegation of authority to file for the state's allocation of private activity volume cap.