

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").

Source of Definition: Bond Review Board

What is a Tuition Revenue Bond (TRB)?

- TRB's are bonds that have their debt serviced by the revenue of the project for which it was issued and pledge a revenue stream provided by income from tuition charges levied against students or institutions specified in the bond covenants.
- The Texas Education Code defines the responsibility of the Board with regard to tuition revenue bonds and limits its authority to evaluation and review of the projects in comparison to the Board standards.

Use of Tuition Revenue Bonds

- The bonds may be used as specified in the statute.
- Generally, the bonds are used to acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure on or for the campus.

History of Tuition Revenue Bonds

- The Legislature first authorized tuition revenue bonds for several institutions in 1971 and 1973. The total amount authorized as \$267.5 million. Between 1971 and 1974, institutions were issued \$241 million in tuition revenue bonds.
- Beginning in 1991, as part of the South Texas Border initiative, the 72nd through 74th Legislatures granted \$421.4 million in new bonding authority to 20 institutions, primarily located in South Texas and along the border.
- The 75th Legislature in 1997 began the first widespread use of tuition revenue bonds authorizing \$638.4 million in new bonding authority to 41 institutions.
- Four years later, the 77th Legislature granted bonding authority to all but three institutions authorizing \$1.08 billion in bonds to 49 institutions, including for the first time the institutions of the Texas State Technical College System. Only UT-Austin, A&M, and Sul Ross Rio Grande College did not receive authorizations. In determining the amount of bonds to authorize, the sponsors of the legislation reduced the requested amount for each project by a percentage.
- Since 1991, the Legislature has authorized over \$2.4 billion in tuition revenue bonds.
- For the 2005 session, institutions initially requested \$3.1 billion in tuition revenue bond authority for 119 projects. During the session, one project was withdrawn and an additional seven projects totaling \$178.7 million were requested. However, no tuition revenue bond authority was granted by the 79th Legislature.
- During the 79th Legislature, Third Call Session, new criteria was developed to evaluate the TRB projects. A total of 155 proposals were resubmitted for review and evaluation. The total

project cost of all the TRB proposals was \$4.5 billion. The total amount of TRBs approved, but not funded by the 79th Legislature, Third Called Session was \$1.86 billion, from 63 projects.

- During the 80th Legislative Session, the TRB projects approved during the previous legislative session were authorized for funding. Additionally, Stephen F. State University was authorized \$13 million.
- During the 81st Legislative Session, the Legislature authorized \$155 million in TRB's to UTMB and TAMU-Galveston for the recovery of Hurricane Ike. The institutions submitted and the Board reviewed 169 projects estimated at \$3.8 billion in anticipation of a request for projects from the Legislature.

Process for Evaluation of Tuition Revenue Bonds

- If requested, the Coordinating Board evaluates the requests for authority submitted by the institutions with the Legislative Appropriations Request.
- The Legislature authorizes issuance of the bonds in legislation.
- The institutions request project and financing approval from its Board of Regents.
- The Board of Regents grants approval for the project.
- The project is submitted to the Coordinating Board for evaluation. (Because the project was already approved by the Legislature, the Board's role is to evaluate the project to determine if it meets the Board's standards.)
- The evaluation is approved by the Board and a copy is provided to the Governor, Lt. Governor, and the Legislative Budget Board.
- The institution (or system) completes an application for the Bond Review Board.
- The Bond Review Board verifies that the institution has approval for the issuance of the bonds, analyzes the project request to determine that the funds are available to service the debt, and that the financing system is appropriate.
- The Bond Review Board authorizes the issuance of the bonds.
- The Adjutant General reviews and approves the issuance of the bonds.
- The institution (or system) sells the bonds and services the debt.
- Upon completion of the project, the institution includes the facility (if appropriate) in its facilities inventory.

Financing with Tuition Revenue Bonds

- Interest payments are spread out over the term of the note (called coupon payments) and are a fixed rate throughout the life of the bond.
- Tuition, rentals, rates, and other charges of an institution of higher education may be pledged to the payment of the bonds.
- In past practice, the Legislature has approved reimbursement to the institutions for payments made to retire the tuition revenue bonds by means of special line items as part of the general revenue appropriations.