JOINT INTERIM COMMITTEE ON PRIVATE ACTIVITY BONDS

REPORT TO THE 78TH LEGISLATURE

November 15, 2002

JOINT INTERIM COMMITTEE ON PRIVATE ACTIVITY BONDS

TEXAS SENATE
TEXAS HOUSE OF REPRESENTATIVES
INTERIM REPORT 2002

A REPORT TO THE
78TH TEXAS LEGISLATURE

JON LINDSAY
CO-CHAIR

BILL CARTER
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COMMITTEE CLERKS
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November 15, 2002

The Honorable Bill Ratliff
Lieutenant Governor of Texas
Members of the Texas Senate
Texas State Capitol, 3S.5
Austin, Texas 78701

The Honorable James E. "Pete" Laney
Speaker, Texas House of Representatives
Members of the Texas House of Representatives
Texas State Capitol, 2W.13
Austin, Texas 78701

Dear Mr. Governor, Mr. Speaker and Fellow Members:

The Joint Interim Committee on Private Activity Bonds of the Seventy-Seventh Legislature hereby submits its interim report including recommendations for consideration by the Seventy-Eighth Legislature.

Respectfully submitted,

Jon Lindsay

SENATOR JON LINDSAY
Co-Chair

REPRESENTATIVE BILL CARTER
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SENATOR KIP AVERITT

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SENATOR CARLOS TRUAN

State of Texas
House of Representatives
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Chairman
Tarrant County Delegation

November 18, 2002

The Honorable Bill Ratliff
Lieutenant Governor of Texas
Members of the Texas Senate
Texas State Capitol, 3S.5
Austin, Texas 78701

The Honorable James E. "Pete" Laney
Speaker, Texas House of Representatives
Members of the Texas House of Representatives
Texas State Capitol, 2W.13
Austin, Texas 78701

Dear Governor Ratliff, Speaker Laney and Fellow Members:

Please accept this letter as a minority report in response to the report submitted by the Joint Interim Committee on Private Activity Bonds, on which I serve as Co-Chair. This document is intended to illuminate the reasons I oppose the substantive recommendations of the Joint Interim Committee on Private Activity Bonds, and will also explain why I can neither sign or condone this report as a whole.

The Honorable William Ratliff, Lieutenant Governor, and the Honorable Pete Laney, Speaker of the Texas House of Representatives, created this Committee following the 77th Legislative Session and assigned it to study the following two charges:

1. Examine the private activity bond allocation program, including the available uses, the allocation among the uses, and the procedures by which the bonds are allocated.
2. Determine the effectiveness of the current program in meeting public policy objectives.

I would like to begin by stating my disappointment that only two public hearings took place to address the above-mentioned charges assigned to this Committee. The first public hearing, which occurred on January 15, 2002, was an informational overview of the Texas Private Activity Bond Program. Only the second public hearing, which occurred March 26, 2002, allowed for true public comment on the charges. I do not feel there was adequate opportunity for public input and testimony

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to allow the Committee to effectively consider the charges and determine recommendations. In reading this document, I believe that the report and the recommendations are written with an unfair bias favoring industries within private activity bond subceiling 6, to the detriment of subceilings 1 and 4, Single Family Housing and Multifamily Housing respectively.

During the 77th Legislative Session, affordable housing became more viable in this State because the Texas Legislature chose to make housing for low to moderate income Texans a priority. With the passage of Senate Bill 322, the affordable housing industry made great gains in private activity bond financing, raising the state ceiling exclusively for reservation by issuers of qualified mortgage bonds to 29.6 percent and raising the ceiling for qualified residential rental bonds to 23 percent of volume cap. Although there is significant pressure from other industries to reduce the amount of private activity cap allocated to affordable housing in order to increase their own allocation, no other category of private activity bond cap is more effective or beneficial to the State of Texas than Single Family Housing and Multifamily Housing.

I am vehemently opposed to any recommendations that would reduce the current private activity bond allocation for Single Family and Multifamily Housing. Various recommendations listed in the Joint Interim Committee on Private Activity Bonds Report would effectively diminish the availability of safe, sanitary and affordable housing to Texans with limited incomes.

Specifically, recommendation B-12 advocates reducing the Single Family Housing private activity bond allocation from 29.6 percent to 28 percent and reducing the Multifamily Housing allocation from 23 percent to 22 percent. This recommendation would erode the progress made during the 77th Legislative Session through SB 322 which augmented affordable housing resources in Texas. I do not support reducing the Single Family or Multifamily Housing volume cap by any amount, especially given the fact that there is far from adequate volume cap to address the housing needs in Texas at the current percentage allocations.

Additionally, I oppose recommendation B-6 which would reapportion the unallocated funds on August 15 to all subceilings with in-line applications. The Texas Legislature made a conscious policy decision to prioritize housing through the Private Activity Bond Program. The importance of maintaining the existing limited financial resources of the Private Activity Bond Program to address the overwhelming affordable housing needs of Texans is crucial. The Multifamily Housing rollover which takes place on August 15 allows unallocated funds to be directed to address the high demand for affordable rental housing. Again, I will reiterate my opposition to compromising the amount of volume cap available to create single family housing and multifamily rental housing projects.

The Joint Interim Committee on Private Activity Bonds Report also addresses private activity bond financing options for Governor Perry's proposed water desalination project. Recommendations B-8 and B-9 state the private activity bond financing option recommended to fund this project. Together, these two recommendations encourage the Legislature to increase the maximum application amount of the Texas Water Development Board under subceiling 2 to $150 million to be used to help fund potential large scale water projects and would allow the ceiling in this category to expand up to an additional 8 percent (totaling a maximum of 16 percent) of the total state volume cap.

I wholeheartedly support Governor Perry's desalination proposal and concur that the availability of drinking water is absolutely essential to the State of Texas. Water infrastructure projects are currently eligible for application under subceiling 6, the All Other category. I strongly believe that private activity bond financing for Governor Perry's water desalination project should remain in subceiling 6. Most Texans would agree that providing a financing tool for adequate drinking water is more important a commodity than providing a financing tool for wastewater treatment at major corporations that can be financed with corporate debt.

The Bond Review Board provided the Governor's office with financing options for desalination projects using private activity bonds. The following private activity financing option would be highly preferable to, and more logical than, that explained in recommendation B-8/B-9:

> Carving out a percent or hard dollar amount of volume cap under sub-ceiling 6, the All Other category, dedicating it solely for desalination projects or projects for the development of new drinking water sources. The 77th legislature approved a 2% carve out under this subceiling for 2002 and 2003 program years for the development of new drinking water sources, which equates to approximately $8.2 million for 2002 based upon X amount in the subceiling, hardly noteworthy in the realm of project finance for desalination projects. Assuming a project cost between $100-$300 million, the amount dedicated would have to be fairly sizable to attract interest from the private sector. Additionally the amount would most likely have to be dedicated for period in excess of 2 years, not subject to change the next time the legislature meets.

Implementation of recommendations B-8/B-9 would directly reduce the volume cap available for housing because the expansion of subceiling 2 would proportionately decrease all other subceilings. Subceilings 1 and 4 are already oversubscribed categories; in program year 2001 the requests under subceiling 1 for Single Family Housing totaled 284 percent of the available amount and the requests under subceiling 4 for Multifamily Housing totaled 708 percent of the available amount. Reducing volume cap in these subceilings would lead to a definite reduction in private activity bond financing available to housing. It is unnecessary to compromise the availability of affordable housing to fund the water desalination project while the volume cap would most logically be drawn from subceiling 6.

I again assert that no other category within the Private Activity Bond Program is more effective or beneficial to the State of Texas than Single Family Housing and Multifamily Housing. Many of the recommendations in the Joint Interim Committee on Private Activity Bonds Report serve to benefit the applicants in subceiling 6, mostly major oil and chemical companies; these companies often have other financing options available including taxable debt that is possibly at or below the interest rate of private activity bond tax-exempt debt.

The existing bond ceiling allocation allows more homebuyers to realize the dream of owning their own home, and allows more decent and affordable multifamily units to be built and kept on the market. Without the private activity bond allocation, there are very few viable financing options for affordable housing. It is for this reason that I cannot condone this report or its various recommendations which would effectively reduce the availability of affordable housing in Texas.

Sincerely,

Bill Carter

Bill Carter
Co-Chair, Joint Interim Committee on Private Activity Bonds

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INTRODUCTION

Following the conclusion of the 77th Legislature, The Honorable William R. Ratliff, Lieutenant Governor of the Texas, and The Honorable James E. "Pete" Laney, Speaker of the Texas House of Representatives, formed the Joint Interim Committee on Private Activity Bonds (Committee). In a letter dated September 7, 2001, the Committee was charged with "examining the procedures relating to the allocation and use of private activity bonds," and included the following appointees: Senator Jon Lindsay, Co-Chair; Senator David Bernsen; Senator Carlos Truan; Representative Kip Averitt, Co-Chair; Representative Bill Carter and Representative Chuck Hopson. (Due to his election as State Senator for District 22 in April 2002, former State Representative Kip Averitt resigned his position as Co-Chair of the Committee and was promptly re-appointed as the replacement for Senator David Bernsen, who opted to resign his seat on the Committee. Representative Bill Carter assumed the position of Co-Chair for the House in August 2002 at the direction of Speaker Pete Laney).

During the interim, the Committee was assigned two charges:

1. Examine the private activity bond allocation program, including the available uses, the allocation among the uses, and the procedures by which the bonds are allocated.

2. Determine the effectiveness of the current program in meeting public policy objectives.

The Committee convened for two separate public hearings. The first hearing was held on January 15, 2002. At this hearing, the Committee members were informed of the charges the Committee was assigned and discussed the direction of the study. Invited testimony was taken from Monica Kasparek, Program Administrator for the Texas Bond Review Board. Ms. Kasparek presented an overview of the Texas Private Activity Bond Program to familiarize the members with the current private activity bond program.

A second public hearing was held on March 26, 2002. This hearing included testimony taken from interested parties regarding the current state of the program and the allocation percentages. The testifying parties were also encouraged to make recommendations to improve the current program.

The Committee would like to express its appreciation to Executive Director Jim Buie and the staff of the Texas Bond Review Board. Special gratitude is extended to Monica Kasparek, Program Administrator of the Private Activity Bond Program, for her technical expertise.

The Committee would also like to express its appreciation to the following parties representing the interests of the Single Family Housing Category (subceiling #1) and the Multifamily Housing Category (subceiling #4): Monique Allen of the Maple Avenue Economic Development Corporation, Jim Butler of the Odessa Housing Finance Corporation, Shari Flynn of the Lubbock Housing Finance Corporation and the Texas Association of Local Housing Finance Agencies, John Garvin of the Texas Affiliation of Affordable Housing Providers, Sally Gaskin, Martin Gonzalez of the Austin Housing Finance Corporation and Texas Association of Local Housing and Finance Agencies, John Henneberger of the Texas Low Income Housing Information Service, Jane Norwood of the Texas Department of Aging, Reymundo Ocanas of the Texas Association of Community Development Corporations, Jonas Schwartz

of Advocacy Incorporated, Jim Shaw of the Texas Association of Local Housing Agencies and Capitol Area Housing Finance Corporation, Brent Stewart of Trammell Crow Residential, Jeanne Talerico of the Texas Association of Local Housing Finance Agencies, Jim Washburn of LCJ Management and Loose Coalition of For-Profit Developers, Janice H. Wheeler the Founder of Project Joy and Hope for Texas, Ron Williams of the Southeast Texas Housing Finance Corporation, and Guy Yandel of the Texas Association of Housing Finance Authorities.

The Committee would also like to extend its appreciation to those parties representing the interests of the Student Loan Bond Category (subceiling #5): Clifford Baker of the Panhandle-Plains Higher Education Authority, Patricia Beard, Kathryn Bryan of the North Texas Higher Education Authority, Fred Markham of the Central Texas Higher education Authority, Jimmy Parker of the Panhandle-Plains Higher Education Authority, George Torres of the Texas Guaranteed Student Loan Corporation, Ellis Treadway of the Brazos Higher Education Authority, and Robert F. Ziemski of the South Texas Higher Education Authority.

Finally, the Committee also extends thanks to Barry Hogan of DuraTherm Incorporated and James Woodrick of the Texas Chemical Council, representing the interests of those included under the All Other Issues Category (subceiling #6).

JOINT INTERIM COMMITTEE ON PRIVATE ACTIVITY BONDS
INTERIM STUDY CHARGES

CHARGE Examine the private activity bond allocation program, including the available uses, the allocation among the uses, and the procedures by which the bonds are allocated.

CHARGE Determine the effectiveness of the current program in meeting public policy objectives.

TEXAS PRIVATE ACTIVITY BOND PROGRAM: OVERVIEW

The Tax Reform Act of 1986

Since the passage of the Tax Reform Act of 1986 (the Tax Act), tax-exempt financing of "private activities" has been limited in Texas. The Tax Act set forth: 1.) tests that a private activity bond (PAB) must meet, 2.) restricted the types of eligible projects and 3.) imposed a volume ceiling on the total amount of tax-exempt private activity bonds that can be issued each year.

In order to meet the requirements of the Tax Act, a private activity bond must meet either of the following tests: 1) "Private Business Use Test" and the "Private Security" or "Payment Test," or 2) the Private Loan Financing Test.

Explanation of "Private Business Use Test," "Private Security or Payment Test" and "Private Loan Financing Test"

Section 141of the Federal Tax Code defines a private activity bond as any bond that satisfies

(i) the "private business use test" AND "the private security or payments test"

OR

(ii) the "private loan financing test"

If either private business test is satisfied, the bonds will be private activity bonds.

The "private business use test" measures the benefit and the repayment source. The "private business use test" determines whether 10% or more of the benefit of the bonds will go to a private person or entity. The private security or payment test determines whether more than 10% of the project will be paid for a private person or entity. If both tests are satisfied, the bond is considered a PAB.

Private business use includes: ownership; lease/sublease; certain management/services contracts; certain sponsored research agreements; certain output contracts; "special legal entitlement"; "special economic benefit."

The alternative to measuring private business test would be to use the "private loan financing test." A bond satisfies the private loan financing test if proceeds exceeding the lesser of $5million or 5% of such proceeds are used directly or indirectly to finance loans to one or more non-governmental persons.

The Tax Act also put restrictions on the types of privately-owned public purpose projects eligible to apply for tax-exempt PABs. The types of projects include single-family mortgage revenue bonds, state-voted bond issues, small-issue industrial development bonds, multifamily mortgage revenue bonds, student loan bonds, and certain exempt facilities.

Eligible Privately-owned Public Purpose Projects
Single family mortgage revenue bonds - bonds issued to raise funds that are lent to first time home buyers of low to moderate income.
State-voted bond issues - bonds authorized by the voters of the state issued for a variety of purposes depending on the issuer.
Small-issue industrial development bonds - bonds issued to raise funds that are lent to small manufacturing facilities located in rural areas or federally designated "enterprise zones" for the purpose of financing construction or equipment.
Multifamily mortgage revenue bonds - bonds issued to raise funds that are lent to developers for the purpose of constructing or "preserving" multi-family apartment complexes with set-asides to ensure affordability for residents of low-income.
Student loan bonds - bonds issued to raise funds that are lent to students for the purpose of financing higher education. Bond proceeds are used to buy student loans from banks , thereby giving banks the ability to make additional student loans.
Exempt facilities - bonds issued to raise funds that are lent to companies for the purpose of pollution control projects – solid waste disposal, water/wastewater projects, etc.

The Tax Act also imposed a volume cap, or "state ceiling," on the total amount of tax-exempt private activity bonds that can be issued each year by each state. Currently, the cap is set at $75 per capita or $225 million, whichever is greater. This equates to approximately $1.6 billion for Texas in program year 2002. After 2002, the cap will continue to be based on $75 per capita, plus an index for inflation. Even without the inflation index, the dollar amount of cap will continue to increase assuming an annual increase in state population, currently estimated at 1.5% per year.

The cap will be determined by the state's population multiplied by an index for inflation ($75 + the cost-of living adjustment using 2000 as the base year). The inflation index, if not a multiple of $5, will be rounded up to the nearest multiple of $5. A conservative estimate of determining the volume cap for 2003 would be to use $75 as the multiplier and applying it to an estimate of 2003 population, determined by taking 2002 population and increasing it by 1.5%. (See Appendix A for a conservative estimate of future state bond cap amounts based on an estimated population growth of 1.5% per year and an estimated inflation index increase of $5 every three years beginning in 2004.)

Texas Private Activity Bond Program

The private activity bond program has been administered by the Texas Bond Review Board since 1992. As the Tax Reform Act of 1986 left the method of allocating private activity bonds up to each individual state, Texas is able to tailor the use of private activity bonds to the specific needs of this state. To ensure a fair and nonpolitical system of allocating PABs, Texas primarily uses a lottery system to determine reservation[1] order.

The Texas Private Activity Bond Program is divided into six "subceilings," each of which represents a specific area of need as determined by the Texas Legislature. Within each subceiling, applicants

[1] A "reservation" is the opportunity to issue tax-exempt PABs. Once an issuer receives a reservation, they have 120/180 days to close the bonds, otherwise the reservation is cancelled.

compete for allocations[2] based on their lottery number. Some of the subceilings are further divided to dedicate a portion of their allocation amounts for a particular purpose, commonly referred to as a "carve out." Furthermore, within subceilings 1, 4 and 5, merit-based systems have been created to direct allocations toward a particular policy goal. For example, in subceiling #4, a regional and priority system has been created in an attempt to spread allocations more evenly throughout the state. (See Appendix B for chart of current allocation percentages and Appendix C for a comprehensive list of projects that received allocations in 2001.)

Subceiling #1: Single Family Housing (29.6%)

In subceiling #1 (SC #1), 29.6 percent of the state's PAB ceiling is currently dedicated for single family housing. For the 2002 program year (PY 02), SC #1 amounted to $469,538,478[3]. Issuers of mortgage revenue bonds and mortgage credit certificates utilize these bonds to benefit first time home buyers of low and moderate income. Of the total amount in SC #1, one-third is carved out for the Texas Department of Housing and Community Affairs (TDHCA). With this carve out, TDHCA uses the bond proceeds to originate low-interest mortgage loans to low-income residents across the state who wish to purchase a home. They usually issue bonds with a premium[4] in order to offer other services such as down-payment assistance. Of the remaining two-thirds, $25 million is carved out for the Texas State Affordable Housing Corporation (TSAHC) Teacher Home Loan Program for teachers buying their first homes. Like TDHCA, they issue bonds with a premium to offer down-payment assistance in the form of grants, not loans. The remaining amount in SC #1 is reserved for local housing finance corporations (local issuers). Each application by a local issuer is limited by a predetermined population formula, with a maximum of $25 million.

The Teachers Home Loan Program[5] authorizes $25 million to be available annually for twelve years for the purpose of originating single-family mortgage loans exclusively for teachers in Texas. This program was established to acknowledge eligible teachers for their commitment to their profession and help them achieve home ownership by providing affordable mortgages and down payment assistance. Additionally, the program may serve to attract qualified teachers to the state. The Texas program is administered on a first-come, first-served basis to first-time home buyers who wish to purchase a newly constructed or existing home with a 30 year fixed rate mortgage loan. Eligible teachers can obtain an Assisted Fixed Rate Mortgage Loan which offers down payment assistance funds in an amount equal to approximately 5.5% of the mortgage loan amount.

Local housing finance corporations issue the remaining PABs according to a priority system based on their last reservation date. Since lottery number is not a factor prior to September 1, SC #1 local HFCs only submit one application per year. To determine the maximum application amount for a particular

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[2] An "allocation" is volume cap that has been used and the bond deals have closed. Once an allocation is made, this amount is deducted from the remaining available cap in that particular subceiling.

[3] TEX. GOV'T CODE ANN. §1372.024 (a)(1) & (2) (2000) allows for an increase in the state voted subceiling if applications received prior to January 2 exceed the cap set-aside. In PY 02, the BRB received $140 million in SC #2 requests for approximately $128 million in available cap, resulting in the subceiling being expanded to meet demand, and the remaining cap being reallocated to the other five subceilings. Therefore, SC #1 actually accounted for 29.36% of the state volume cap in PY 02.

[4] Selling bonds with a premium allows the bond to be sold for more than the par amount. For example, if a $100,000 bond is sold for $110,000, the additional $10,000 would be considered the premium. Since federal tax code restricts more than 2% of par amount from being used towards the cost of issuance, by selling the bond with a premium, the additional capital raised can legally be used for additional services.

[5] TEX. GOV'T. CODE ANN. §1372.0221 (2002).

local issuer, a formula is used based on the local population of the area. The chart below demonstrates the formulas by population segment:

Maximum Amount for SC #1 Local Issuer Applications	
Local Population	Formula
Less than 100,000	Local population X $150
100,000 - 199,999	$15 million + [(Local population - 100,000) X $50]
200,000 - 299,999	$20 million + [(Local population - 200,000) X $22.50]
300,000 or more	$22.5 million + [(Local population - 300,000) X $11.25]* *Not to exceed $25 million.

Furthermore, local HFC application amounts are subject to a "utilization percentage" meant to encourage issuers to apply for an amount they fully intend to use. If a local HFC receives a reservation in a particular program year and uses at least 95% of that reservation, the issuer is eligible for a full reservation amount the next time they are eligible. But, if the issuer utilizes less than 95% of its reservation, the next time they become eligible for a reservation, they are limited to the percentage used in the previous allocation. For example, if an issuer receives a $20 million reservation in 2001, but only uses $17 million, the next time this issuer receives a reservation, it would be limited to 85% (since $17 million is 85% of $20 million) of the maximum application amount allowed by population.

Subceiling #2: State-Voted Issues (8%)

In subceiling #2 (SC #2), 8 percent of the state's PAB ceiling is currently dedicated for state-voted issues. For the 2002 program year, SC #2 amounted to $140,000,000[6]. These are bonds authorized by the voters of the state issued for a variety of purposes depending on the issuer. In order for an issuer to be eligible to issue bonds under this category, a state constitutional amendment must first be approved by two-thirds of the Texas Legislature, then by a simple majority in a statewide referendum. These bonds are still considered PABs under federal tax law. Recent issuers in Texas include the Texas Higher Education Coordinating Board (THECB), the Texas Veterans Land Board (TVLB) and the Texas Water Development Board (TWDB). The THECB is limited to a maximum application amount of $75 million per year, whereas all other issuers are limited to $50 million.

Subceiling #2 is unique from the other five subceilings in that state law allows the allocation percentage amount to expand to meet additional demand within a particular program year[7]. Basically, if all issuers eligible to apply under SC #2 do so in the same program year, the subceiling expands to meet this additional demand, as it did in PY 02. As a result, all five other subceilings were reduced by an amount proportional to their original allocation percentages to account for SC #2's increase.

Subceiling #3: Small-Issue Industrial Development Bonds (4.6%)

[6] Due to excess demand for state voted issues, SC #2 was expanded and actually accounted for 8.75% of the state volume cap for PY 02.

[7] TEX. GOV'T CODE ANN. §1372.024 (a)(1) & (2) (2000).

In subceiling #3 (SC #3), 4.6 percent of the state's PAB ceiling is currently dedicated for small issue industrial development bonds (IDBs) and enterprise zone bonds. For the 2002 program year, SC #3 amounted to $72,968,818[8]. These bonds are issued to raise funds that are lent to small manufacturing facilities located in rural areas or federally designated "enterprise zones" for the purpose of financing construction or equipment. These qualify as PABs because they promote job growth and economic development in these areas where such aid is needed. Industrial development bonds are issued by local industrial development corporations to finance manufacturing facilities. Enterprise zone bonds are used to finance small manufacturing facilities in a federally designated enterprise zone, areas the federal government designates as economically disadvantaged. Unlike most of the other sub-ceilings, Qualified Small Issues has been historically underutilized.

Beginning in 2002, one-third ($24.3 million for PY 2002) of SC #3 will now be dedicated to the Texas Agricultural Finance Authority (TAFA)[9]. This carve-out is effective until June 1 of each program year for funding industrial development projects in rural areas of the state. The Texas Agricultural Finance Authority was created in 1987 as a Public Authority within the Texas Department of Agriculture. TAFA provides financial assistance to creditworthy individuals, businesses and rural communities. TAFA works in partnership with banks or other agricultural lending institutions through programs for eligible agricultural and rural businesses and communities[10]. Possibly due to 2002 being the first year this carve-out was available, TAFA did not apply for a reservation in 2002.

Subceiling #4: Multifamily Housing (23%)

In subceiling #4, 23 percent of the state's PAB ceiling is currently dedicated for multifamily housing. For the 2002 program year, SC #3 amounted to $364,844,088[11]. These bonds are issued to raise funds that are lent to developers for the purpose of constructing or "preserving" multifamily apartment complexes with set-asides to ensure affordability for residents of low-income. Like SC #1, bonds are issued by local housing finance corporations and TDHCA.

Twenty-five percent of SC #4 is dedicated solely to TDHCA, which is reserved by priority order, then lottery order. The remaining seventy-five percent is dedicated exclusively to local housing finance corporations, which are also allocated by priority order, then lottery order. This process continues until August 15th of each year, at which time all applications are combined into one multifamily category and allocated by priority order, then lottery order.

A priority system in SC #4 requires that developers of projects applying for allocation must designate their project as one of three priority levels. Each project is designated as Priority 1, Priority 2 or Priority 3 (P1, P2, and P3 respectively), with Priority 1 projects being given the highest priority for reservations. P1 projects have more stringent rent caps and requirements for the number of units that must be set aside for low income residents. The maximum amount of rent is determined using a formula established in state law based on the area's average median family income (AMFI). P2 and P3 project rent cap and set aside requirements are subsequently less stringent. Reservations continue to be given based on priority until September 1, when projects are issued reservations based solely on lottery number.

[8] Due to the expansion of SC #2 to meet excess demand, SC #3 actually accounted for 4.56% of the state volume cap for PY 02.

[9] TEX. GOV'T. CODE ANN. §1372.0235 (2002).

[10] Information on TAFA provided by the Texas Department of Agriculture's website and can be accessed at http://www.agr.state.tx.us/eco/finance_ag_development/index.htm.

[11] Due to the expansion of SC #2 to meet excess demand, SC #4 actually accounted for 22.81% of the state volume cap for PY 02.

P1 and P2 projects are also required to use Low Income Housing Tax Credits. The Texas Department of Housing and Community Affairs issues these 4% tax credits to eligible projects. To be eligible, a project must finance more than 50% of its eligible costs using PABs. There is no federal limit to the amount of 4% tax credits that are allocated, thus all P1 and P2 projects are required to receive a Determination Notice from TDHCA for the 4% tax credits that accompany the private activity bond allocation.

SC #4 Priority System

Priority 1: All units in Priority 1 projects must have rents capped at 30% of 50% of the area median family income (AMFI). To simplify, all residents of these developments must have family incomes of no more than 50% of the average family income for the area [determined either by Metropolitan Statistical Area (MSA) or County]. Area median family income is determined by the U. S. Department of Housing and Urban Development (HUD) using census data. The rent charged to residents must not exceed 30% of this maximum family income amount. For example, if AMFI for a particular region is $60,000, then half would be $30,000. Thus, no residents could have a family income greater than $30,000 per year. The rent would be capped at 30% of $30,000, or $9,000 per year. This rent cap must include utilities. If utility charges are not included in the monthly rent, the landlord must contact local utility companies to determine annual utility costs and reduce rent amounts to include this amount. (See Appendix D for 2002 LIHTC Rent Limits By Household Size.) These projects must use 4% tax credits.

Priority 2: All units in a Priority 2 project must have rents capped at 30% of 60% of the AMFI. These projects must also use 4% tax credits.

Priority 3: Priority 3 projects must set aside either 20% of the units for families at 50% AMFI or 40%. of the units for families at 60% AMFI. No rent caps and no tax credits are required.

In addition to the priority system, SC #4 has a regional system in place to distribute available funds across the state until June 1. The 75% portion of SC #4 is divided into eleven Uniform State Service Regions as determined by the Texas Comptroller of Public Accounts. (See Appendix E for map of CHAS Uniform Service Regions.) The amount available in each region is based on the percent of the state's population within that region. Applications are only competing with other applications from that region on a priority, then lottery number basis. Thus, if only P2 and P3 projects applied in a particular region, the P2 projects would receive a reservation before any P1 projects due to the fact that there were no P1 applications to compete with. Furthermore, no more that 50% of the cap can be used in a single qualified census tract[12] (QCT).

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[12]In developing the list of Low Income Housing Tax Credit (LIHTC) Qualified Census Tracts, HUD used 1990 Census data and the MSA/PMSA definitions established by the Office of Management and Budget (OMB) in OMB Bulletin No. 99-04 on June 30, 1999. Beginning with the 1990 census, tract-level data are available for the entire country.Generally, in metropolitan areas these geographic divisions are called census tracts while in most non-metropolitan areas the equivalent nomenclature is Block Numbering Area (BNA). BNAs are treated as census tracts for the purposes of this Notice.

The LIHTC Qualified Census Tracts were determined as follows:

1. A census tract must have 50 percent of its households with incomes below 60 percent of the AMFI or have a poverty rate of 25 percent or more to be "eligible." HUD has defined 60 percent of AMFI as 120 percent of HUD's Very Low Income Limits (VLILs) 1990 Census benchmarks, which are based on 50 percent of area median family income. The 1990 income benchmarks are used because they match the 1990 Census tract-level income data.

2. For each census tract, the percentage of households below the 60 percent income standard (the "income criterion) was determined by (a) calculating the average household size of the census tract, (b) applying the income standard after adjusting it to match the average household size, and (c) calculating the number of households with incomes below the income standard.

Within certain regions with a high metropolitan population, (specifically Austin, Dallas and Houston) the cap is further divided by metro/non-metro criteria, where the percentage of population within that region that is in a metro area is equivalent to the funds attributed to metro projects.

Regional SC #4 Allocation (Metro/Non-Metro) for 2002				
	Percent	$ amount	Metro	Non-Metro
Region 1	3.74%	$10,233,877		
Region 2	2.63%	$7,196,550		
Region 3	26.32%	$72,020,223	$69,637,534	$2,382,689
Region 4	4.87%	$13,325,930		
Region 5	3.55%	$9,713,974		
Region 6	23.28%	$63,701,778	$61,193,548	$2,508,230
Region 7	11.08%	$30,318,544	$22,276,032	$8,042,512
Region 8A	9.55%	$26,131,958		
Region 8B	9.08%	$24,845,882		
Region 9	2.52%	$6,895,553		
Region 10	3.38%	$9,248,798		

Theoretically, the metro/non-metro split is intended to spread allocations to rural areas within regions that have a high metropolitan population. In practice, however, there is often such a small amount of non-metro funds available that few, if any, applications are received. On June 1, the unreserved non-metro funds become available to all remaining local HFC applicants.

Non-metro/metro designation is disregarded after June 1 with the collapse. From June 1-August 31, projects located in areas of the state that have an area median family income below that of the state's AMFI are bumped up to Priority 1 status if designated a 2 or 3. These projects retain their priority 2 & 3 status (they are not penalized with stricter set-asides) but they compete with priority 1 projects based on lottery number. For reservation purposes, they are considered priority one projects until August 31.

As described above, SC #4 operates on a regional system, within which applications are ordered by priority, then by lottery number. This regional system remains in place each program year from January 1-May 31. From June 1-August 14, any unreserved regional volume cap collapses back to one local HFC pot, but remains separate from TDHCA. The remaining P2 and P3 applications with an AMFI below the state average are now considered P1 (until August 31) for reservation purposes. Reservations are now issued solely on priority and lottery number until August 14. On August 15, any unreserved local volume cap collapses with unreserved TDHCA volume cap and any other unreserved volume cap from all of the

3. For each census tract, the poverty rate was determined by dividing the population with incomes below poverty by the population for whom poverty status has been determined.

other subceilings into one multifamily "pot." This volume cap is issued by original priority and lottery order. On September 1, any unreserved volume cap remaining from SC #4 is available to all applicants, regardless of category, based on their lottery number. In effect, the subceilings disappear, and applicants are awarded reservations based solely on their original lottery number. Typically, there is very little volume cap remaining by this time in a program year. Most application caps that receive reservations after September 1 are due to a reservation "falling out," with that volume cap becoming available once the deal fails to close. (See Appendix F for timeline showing current SC #4 deadlines throughout a given program year.)

Subceiling #5: Student Loan Bonds (8.8%)

In subceiling #5 (SC #5), 8.8 percent of the state's PAB ceiling is currently dedicated for student loan bonds. For the 2002 program year, SC #5 amounted to $139,592,520[13]. These bonds are issued to raise funds that are lent to students for the purpose of financing higher education. Bond proceeds are used to buy student loans from banks , thereby giving banks the ability to make additional student loans. There are five higher education authorities issuing Qualified Student Loan Bonds across the State of Texas[14]. Applications are reserved on a priority basis similar to single family housing. Applicants are capped at $35 million per reservation.

Legislative changes last session decreased the percentage initially reserved for student loan bonds from 10.5% to 8.8%[15], which was expected to amount to $140,745,119. This amount would have allowed four full reservations to be made for 2002. Due to the expansion of SC #2, however, the actual amount was below $140 million, resulting in one of the four issuers to receive less than a full allocation. Furthermore, a new provision was added last session to allow any excess volume cap within SC #5 to be divided equally between those issuers having received a reservation for that program year[16]. Since no excess volume cap was available in SC #5 this program year, this provision was not exercised in 2002.

The Texas Guaranteed Student Loan Corporation[17] guaranteed $1.3 billion in loans in 1996, $1.8 billion in 2001, and anticipate the number to exceed $2 billion in 2002. This steady increase in loan volume demonstrates the importance of student loans in Texas, where 68% of total student financial aid comes from student loans (well above the national average of 59%). With a state initiative to increase campus enrollment by 500,000 by 2015[18], it is almost certain that the future funding of higher education for these students will be increasingly placed upon the student loan program[19].

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13 Due to the expansion of SC #2 to meet excess demand, SC #5 actually accounted for 8.73% of the state volume cap for PY 02.

14 The five Higher Education Authorites in Texas are: Brazos Higher Education Authority (HEA), North Texas HEA, South Texas HEA, Central Texas HEA, and Panhandle Plains HEA.

15 TEX. GOV'T. CODE ANN. §1372.022 (b)(5) (2002).

16 TEX. GOV'T. CODE ANN. §1372.033 (d) (2002).

17 The Texas Guaranteed Student Loan Corporation (TG) is a public, nonprofit corporation that administers the Federal Family Education Loan Program (FFELP). The FFELP includes Federal Stafford Loans (subsidized and unsubsidized), Federal Plus (Parent) Loans, and Federal Consolidation Loans. Neither TG or FFELP are issuers of student loan bonds. The FFELP allows banks to issue loans to students and guarantees them (to banks) until the loans are purchased by the HEAs (through PAB proceeds) to allow for liquidity to make more loans.

18 *Closing the Gaps by 2015: 2002 Progress Report*, Texas Higher Education Coordinating Board, July 2002. Available on the Texas Higher Education Coordinating Board website at http://www.thecb.state.tx.us.

19 *Texas Private Activity Bond Program: Hearing Before the Joint Interim Comm. on Private Activity Bonds*, 77th Tex. Legis.,

Subceiling #6: All Other Issues (26%)

In subceiling #6 (SC #6), 26 percent of the state's PAB ceiling is currently dedicated for all other issues. For the 2002 program year, SC #6 amounted to $412,432,447[20]. These bonds are issued to raise funds that are lent to companies for the purpose of financing pollution control projects. Most applications in sub-ceiling #6 are used to finance solid waste disposal/sewage facilities, hazardous waste disposal facilities, hazardous waste pollution control projects in refineries, municipal wastewater treatment plants, and petrochemical plants. Businesses such as chemical plants, refineries, waste handling and treatment facilities, paper mills, electric utilities, semiconductor makers, breweries, metal manufacturers, food suppliers, and community wastewater treatment plants are eligible to apply for funding under SC #6. Issuers are typically industrial development corporations (IDCs), river authorities, and large corporations. Applications are usually submitted by companies with a high probability of implementing the proposed projects and have a sufficient credit rating to have loan proposals accepted by bond issuers and bond holders (BASF, Dow, Air Products, Exxon, Koch, Republic Waste Services, etc.). Overall, issuers in SC #6 are capped at $25 million per application.

Last session, SC #6 was decreased from 29.5% to 26%[21]. An additional change last session carved-out two-percent, or $8,248,649, to be used solely for water projects until August 15[22]. Types of eligible water projects include water infrastructure projects, such as water and sewage. No applicants applied for volume cap under the 2% water project carve-out, as $8 million is a relatively small amount for these types of projects and is not likely an attractive financing option to potential applicants. As such, this cap was swept into the multifamily pot on August 15.

Interim (March 26, 2002) (testimony of Kathryn Bryan, Executive Director of the North Texas Higher Education Authority).

[20] Due to the expansion of SC #2 to meet excess demand, SC #6 actually accounted for 25.79% of the state volume cap for PY 02.

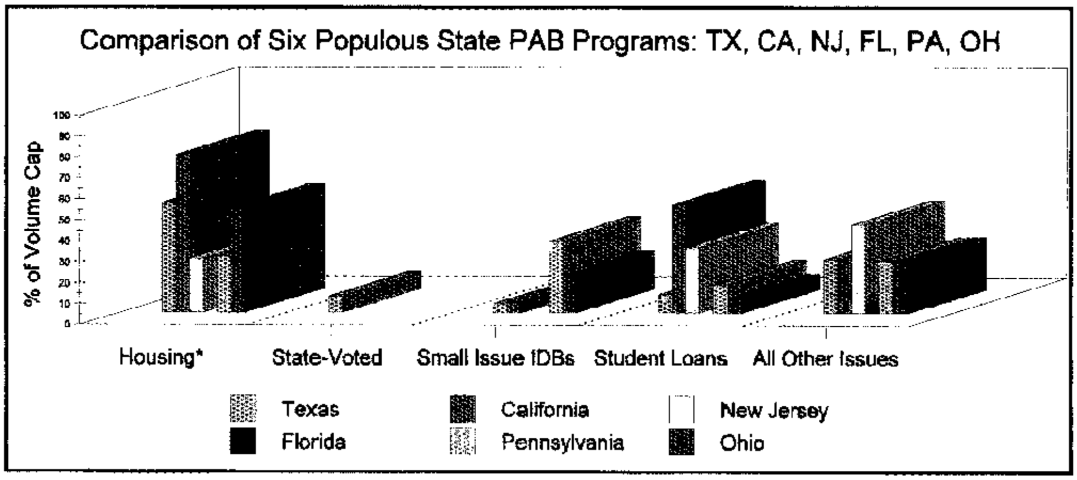
[21] TEX. GOV'T. CODE ANN. §1372.022 (b)(6) (2002).

[22] TEX. GOV'T. CODE ANN. §1372.022 (a)(6) (2002).

TEXAS PRIVATE ACTIVITY BOND PROGRAM: ANALYSIS

Comparison of Texas to Other States

A comparison of Texas to certain other populous states is helpful in showing how other states allocate their volume cap. Texas dedicates 52.6% of the total volume cap to housing projects, both single family and multifamily. In contrast, California dedicates the most volume cap to housing projects (75.4%). Both states rank well above other states in the amount of volume cap dedicated to housing. In Texas, 4.6% of the volume cap is dedicated to Small-Issue Industrial Development Bonds (IDBs) for use in federally designated empowerment zones and enterprise communities. In contrast, California allocates 5.4% for small-issue industrial development and Ohio allocates $100 million (11.7%) for small issues (manufacturing facilities). The Student Loan category in Texas receives 8.8% of the total volume cap. This percentage ranks below states such as Pennsylvania (13.6%) and New Jersey (31.4%). However, the dollar amounts compare favorably to each other. For example, Texas received $139.7 million in 2002, while Pennsylvania received $125. The All Other category in Texas receives an allocation of 26%. This category includes water projects, hazardous waste facilities, and wastewater treatment facilities. In Ohio, 5.6% of the volume cap is allocated to exempt facilities (solid waste disposal facilities). New Jersey allocates 42.5% of its volume cap to solid waste and all other issues. (See Appendix G for PAB Allocation Program information for all other states.)

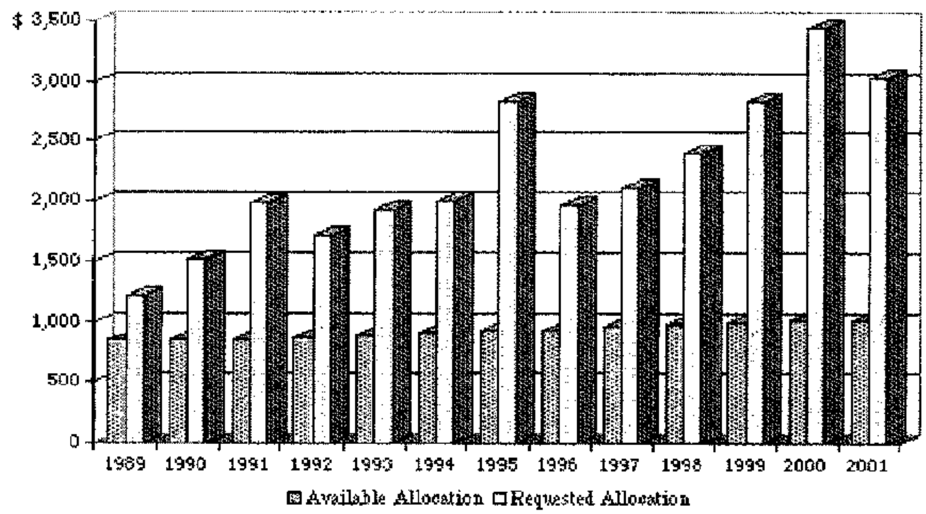


Over-subscription

Texas currently has the second largest ceiling in the nation, behind only California in population and volume cap. The state ceiling is based on population with incremental adjustments for inflation. Even with the formula for the state ceiling increasing to $75 per capita, the increase falls short of the overall demand expressed for the program in 2002. Demand for private activity bond cap allocation continues to outpace the federal set-aside. This follows the trend showing the program being over-subscribed each year since 1988. This over-subscription dilemma creates a difficult problem in Texas, with its continuing economic growth, affordable housing needs, large student base, and increasing environmental demands.

Figure 11

STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
AVAILABLE vs. REQUESTED ALLOCATION
(millions of dollars)



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

The over-subscription trend is quite evident after the past few years. In 2000, the state ceiling totaled $1,002,207,050. However, applications amounted to $3.44 billion in 2000, or 343 percent of the total state volume cap. Applications amounted to $3.25 billion in 2001, or 249 percent of the total state volume cap. Thus, the 2001 program year ended with $1.95 billion in unfulfilled applications for allocation. Thus far in 2002, the trend of over-subscription continues. As of July 31, the applications received have totaled $4.67 billion or 292 percent of the available allocation amount of $1.6 billion. (See Appendix H for 1992-2001 Reservation vs. Allocation by Subceiling, including over-subscription rates.)

While Program Year 2002 had four "over-subscribed" subceilings (SCs #1, #2[23], #4, #6), it is important to remember that over-subscription does not directly relate to demand. While true that an over-subscribed subceiling is not meeting the overall demand for PAB financing within that category, it is not advisable to directly relate the over-subscription amount to demand. It may seem that a particular subceiling had two or five or ten times more demand than was available, but since there is no limit to the number of applications an issuer may submit, "demand" may be overstated. A more conservative analysis leads to recognizing over-subscribed subceilings as simply not meeting the financing demand for these types of projects in Texas.

Underutilization

[23] SC #2 was not technically " oversubscribed," but expanded in PY 02. As previously explained, SC #2 is unique in that it expands to meet additional demand. None of the other sub-ceilings have this provision allowing for expansion.

Historically, the lone subceiling that has been underutilized is SC #3, used for small-issue industrial development. According to a recent survey of state and local officials by *The Bond Buyer*, two key factors have combined to contribute to this underutilization: a slowing economy and the statutory capital investment limit[24]. According to the article, the slowing economy has resulted in manufacturers' reluctance to build new plants or expand existing facilities. In addition, the article states, a 1979 federal law that limits a IDB issue to $10 million. "Since then," the article states, "that $10 million has lost about half its real value to inflation." Another detriment identified by the article is "accompanying curb... that prevents a manufacturer that benefits from IDBs from making any capital investments exceeding $10 million in size." This limit apparently includes investments from non-bond proceeds and extends from a period three years prior to the bond issuance and for three years afterwards.

Any change to the capital expenditure limitation would require Congressional action. An amendment to the Tax Act is currently being offered by Senator William M. Thomas (R-CA) that would raise the capital expenditure limitation to $15 million and be indexed for inflation. If passed, this increase would potentially increase demand under SC #3 in the Texas program. For the purposes of this report, however, it is assumed that the federal limitations on IDBs will remain unchanged.

Carryforward Provision

A unique feature of the private activity bond program is the carryforward provision (Section 190.2 (k). Allocation and Reservation System). Under the old carryforward provision, if a reservation expires on or after December 24, the issuer is required to close on December 24, regardless of the actual 120- or 180-day expiration. An issuer is permitted to decline a reservation made on or after September 23. Any volume cap that becomes available between December 1-24 may be designated "traditional carryforward" and is made available on a first-come, first-serve basis within that priority as established by statute.[25] Applicants may apply for carryforward at any time during the year with a maximum allocation of $50 million.

An additional carryforward provision was added effective for the 2001 program year[26]. Under the new provision, an issuer is given the full 120/180 days to close. The issuer must notify the BRB in writing before December 24 of their intent to carry the reservation forward, including the expected closing date. If the BRB grants a carryforward designation through this process, an issuer is given the remaining balance of their 120/180 day period as applicable to close by their expected closing date. If the issuer fails to close, the amount carried forward remains with that issuer for three years (within original subceiling) and is considered used with the first allocation issued to that issuer in that category in subsequent program years.

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[24] "IDB Issuance Plummets, Survey Blames Investment Limit, Economy," *The Bond Buyer*, June 3, 2002.

[25] TEX. GOV'T CODE ANN. §1372.061 (a) (2001)

[26] TEX. GOV'T CODE ANN. §1372.061 (b) (2001)

"Old" vs. "New" Carryforward Provisions

Old Carryforward

- Any applicant may apply at any time of program year.
- December 1-24: any volume cap that is returned to program due to a project falling-out is eligible.
- Maximum amount: $50 million.
- Priorities established by statute (TEX. GOV'T CODE ANN. §1372.063-§1372.068), but reservations made on a first-come, first-serve basis within these priorities.
- Issuers have 3 years to close. May combine old carryforward amount with any future reservations received in subsequent program years and adjust reservation accordingly.
- Usually only one applicant per program year for old carryforward.

New Carryforward

- Issuers *used* to be required to close bonds by December 24, regardless of date of 120/180-day deadline.
- New carryforward provision allows issuer the full 120/180 days to close bonds regardless of the fact that the deadline period extends into the next program year.

Fall-Out Rates

Even after a reservation is granted, an applicant must still close on a project. All issuers, except single-family MRB issuers, are required to complete their transaction and close on the bond issue within 120 days of the reservation date. Issuers of single-family MRBs must close within a 180-day time limit. If an applicant receives a reservation for allocation and is unable to complete the transaction, or closes for a lesser amount, the original request is still considered satisfied.

Since 1992, statistics show that the percentages of closings based on the number of reservations received have been high in all but two of the subceilings. Closing percentages in subceilings #3 and #4 have been significantly lower than the others in the program. For example, the closing percentages in subceilings #3 and #4 have averaged 54 and 43 percent since 1992, respectively. In comparison, the closing percentage of SC #6 during that same time period was 72%. Subceilings #3 and #4 lag behind the others in the amount of reservations that are closed per reservations awarded. (See Appendix H to determine fall-out rates from 1992-2001).

Deadlines

Problems have arisen with 120-day closing deadline specifically within SC #4. The deadline has made it exceedingly difficult for developers to meet, which has contributed to the high fall-out rates of these projects. Multifamily bonds issued by TDHCA have to be approved by the their board first and then approved by the BRB. The 120 days is a very tight time-frame to get both approvals and to close on the bonds. An analysis of the application must be completed by the time they are brought before both boards and it does not generally yield enough time for developers to respond to the questions posed by the boards.

Community Housing Development Organizations

Section 11.182 of the Tax Code establishes guidelines for Community Housing Development Organizations (CHDOs) to receive a property tax exemption from local taxing districts if certain criteria is satisfied. CHDOs are required to offer affordable housing to low-income residents and reinvest a portion of the taxes that would have been paid on the property if not for the tax exemption into rent reduction, capital improvements, or social and community development programs. The recent proliferation of CHDOs has generated significant concern from lawmakers and local taxing authorities over the legitimacy of the CHDO certification process and the fiscal impact of unrealized property tax revenues. School districts, representing the largest generators of property tax revenues, have been most affected by the recent number of CHDO projects across the State. In turn, the State also finds itself in precarious position as it will be responsible for reimbursing school districts for unrealized property tax revenues related to CHDO tax exemptions in the next budget cycle[27].

A prominent concern with the CHDO tax exemption has been Texas Department of Housing and Community Affairs' (TDHCA) certification of CHDOs. TDHCA's involvement with CHDOs is derived exclusively from its administration of the Federal HOME program. However, certain organizations had been obtaining CHDO designation from TDHCA not in conjunction with HOME funds, but for the express purpose of the local property tax exemption. In response to the controversy surrounding TDHCA's certification of CHDOs, TDHCA has proposed changes in the Department's CHDO certification policy. This rule will discontinue the practice of State CHDO certification in urban areas except in very specific and rare circumstances, and reaffirms the TDHCA's limited involvement with CHDO certification to the administration of Federal HOME funds. The rule is currently under review, and according to TDHCA staff, is expected to take effect by Fall 2002.

Lottery Practices

A practice has arisen in certain subceilings whereby applicants have attempted to manipulate the lottery system to favor the financing of more profitable projects. This trend has resulted in less affordable and thus more profitable housing projects receiving PAB funding. A common example involves a developer acquiring a plot of land for the development of affordable multifamily housing. The plot is divided into six sections, each of which is used in an application to the BRB for PAB financing. The developer may designate half of the applications as Priority 1 projects and the other half as Priority 2. When the BRB conducts its lottery the six projects are placed in random order based on lottery number within applicable region. Due to their higher priority in meeting the affordable housing needs of Texas, it would seem good policy that P1 projects receive reservations before any less affordable P2 (or P3) projects. But, a provision in law allows P2 and P3 projects to compete with P1 projects for a reservation after June 1 if they are in a region where the AMFA is below the state average. The issue arises when a P1 project that previously received a reservation falls-out, which in effect holds up available volume cap, delaying the process. This delay potentially reserves this volume cap until after June 1, allowing P2 or P3 projects to

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27 This issue has evoked a wave of response from lawmakers with much research being conducted on the matter by various legislative offices and agencies. The House Urban Affairs Committee was charged by the Speaker to study the effectiveness and soundness of the existing CHDO property tax exemption. The Committee should have several recommendations in its final report based upon information gathered from independent research and public hearings on the issue. Additionally, several members offices, especially those representing large, urban counties, have been in the process of developing legislation to abate the problems that have arisen over the CHDO program in recent months.

receive the reservation. Some discussion included the possibility that this situation was intentional, intended only to hold volume cap in limbo until it could be reserved for a more profitable project with less affordable housing.

Governor Rick Perry's Saltwater Desalination Proposal

On April 29, 2002, Governor Rick Perry announced his water proposal, "Controlling Our Destiny: Governor Rick Perry's Water Resources Plan," which included a proposal to build a Seawater Desalination Demonstration Project along the Texas Gulf Coast[28]. The Plan included a proposal to fund the proposed project through the use of the Private Activity Bond Program. Estimates of such a project identify the need for approximately $200 million in low cost financing per biennium ($100 million per year) for the project to be feasible. The Office of the Governor is continuing to develop the best approach to the possible use of PAB financing for such a project.

Higher Education Authority Need Based Audits

Due to the disparate growth in higher education lending, the different higher education authorities are each growing in different ways. An allocation process that anticipates the future need of the different authorities was discussed by the committee to allow for greater flexibility within the subceiling. The concept included a third party audit to certify each authority's actual need, which would then be used to determine the maximum application amount for that individual education authority. A true maximum amount would remain within SC #5, but applicants would also be limited by said certified need based audit. The details of such an audit process were not fully worked out by the Committee. In order to insure the prudence of any potential legislative changes of this sort, further research and study should be performed.

[28] *Gov. Rick Perry Announces Policies to Secure Abundant Water Supply Proposals Include Building State's First Large-Scale Coastal Desalination Plant*, Office of the Governor, Rick Perry, News Release (April 29, 2002).

TEXAS PRIVATE ACTIVITY BOND PROGRAM: RECOMMENDATIONS

OPTION A (*Option A recommendations represent improvements to the program that make it more administratively efficient.*)

A-1: Eliminate the Texas Register Requirement under Section 1372.027 of the Texas Government Code, which states that *the board shall publish biweekly in the Texas Register: (1) a statement of the amount of the available state ceiling; (2) a list of the issues that have received a reservation since the preceding publication, including the amount of each reservation; and (3) a list of the issues that had previously received a reservation that have closed since the preceding publication.* This section would be replaced with language creating a more practical and already practiced web-posting requirement.
The need for this change is due to the high reservation drop-out rate, which makes the job of administrating the program administratively intensive. The Texas Bond Review Board (BRB) already provides this information on its website, which is updated at least weekly as opposed to the bi-monthly Texas Register. Users of the program currently use the BRB website as an information source and not the Texas Register because the information is easily accessible and often more up-to date.

A-2: Adjust the expansion of the state ceiling to accommodate State Issuers in a manner that reflects the allowed level of expansion. Currently, Section 1372.024(a) of the Texas Government Code states that *if, before January 2, applications received for reservations for state-voted issues total more than 13 percent of the available state ceiling for that program year, the percentage of state-voted ceiling requested that is more than 13 percent of the state ceiling: (1) is removed from the state ceiling available to other issuers on January 2; and (2) is available for those applications for reservations for state-voted issues.* The 13 percent requirement should be adjusted to 8 percent in both instances.
This is a "cleanup" provision that was overlooked during the 77th Legislature. This change would accurately reflect the current percentage of volume cap available to state issuers, as opposed to what was available in 2001 and 2002.

A-3: Section 1372.040 of the Texas Government Code reads *an issuer of qualified mortgage bonds, other than the Texas Department of Housing and Community Affairs, shall reserve for six months 50 percent of the funds available for loans outside the federally designated target areas to provide mortgages to individuals and families with incomes below 80 percent of the applicable median family income, as defined by Section 143(f)(4), Internal Revenue Code (26 U.S.C. Section 143(f)(4)).* This language should be changed to also exclude the TSAHC as well as TDHCA.
The intent of the legislation is to mandate the local HFC's reserve funds for loans outside the federally designated target areas to the applicable median family income. TDHCA is specifically excluded from the requirement as they issue qualified mortgage bonds for various specialized state programs. TSAHC's exclusion is important since their target area is the entire state and they also run a specialized state program (teacher home loan) which is effective for the 2002-2003 program.

A-4: Section 1372.0231(f) refers to the priority system in Section 1372.032 instead of Section 1372.0321. This should be changed to Section 1372.0321.
This change is just a "cleanup" provision. Currently, the statute references the single family priority system whereas the intent of the legislation was to reference the multifamily priority system.

A-5: Section 1372.028(b) states *an issuer may apply for a reservation for a program year not earlier than October 10 of the preceding year. An issuer may not submit an application for a program year after December 1 of that year.* The recommendation is to extend the application period from

October 10-October 20 to October 5-October 20.
The reason for this change is to accommodate the increased volume of applications and gives the BRB more time to review them. The volume of applications for participation in the lottery continues to grow each year. A total of 314 were received in October of 2001. These applications require careful review in order to insure eligibility for private activity bond volume cap. As stated previously, extending the application period would allow the BRB staff the much needed time to carefully review all the applications submitted.

A-6: Section 1372.036(b) states that *if, after June 1 and before August 25, any portion of the state ceiling in a category described by Section 1372.022(a) from which issuers were granted reservations becomes available in that category: (1) those amounts of the state ceiling shall be aggregated; and (2)the board shall grant reservations from that category on August 25.* The August 25 date should be eliminated from this section.
The date does not coincide with the other dates in the statute and is impractical administratively. It is not feasible to extend an offer of partial reservation and expect it to be accepted in one day. Applicants must be given time to consider whether accepting the reservation would be in their best interest. Additionally, the Program Administrator needs time to go down the list once and then offer the reservation until acceptance by a party. The current statute states one can issue partial reservations only on June 1 and August 25. The August 25 date should be eliminated as it conflicts with the subceiling collapse to multifamily housing from August 15-31. The wording pertaining to June 1 should be changed to state that beginning on June 1, partial reservations may be offered once to each applicant in all subceilings until someone in each subceiling accepts or until additional volume cap is returned to meet a full request.

OPTION B (*Option B recommendations represent policy changes to the program to better serve the needs of the state.*)

B-1: Extend 120-day closing deadline for SC #4 applications to 150 days
The 120-day deadline seems to be exceedingly difficult for developers in SC #4 to meet. This difficulty contributes to the high fall-out rate of these projects. Giving SC #4 applicants 150 days to close would increase the likelihood of success and it would also be beneficial to TDHCA and the Bond Review Board. Multi-family bonds issued by TDHCA have to be approved by BRB, but must first be approved by TDHCA's board. The 120 days is a very tight time-frame to get both approvals and to close the bonds. This is because all analysis must be completed by the time they are brought before both boards and it doesn't generally yeild enough time for developers to respond to questions by the BRB in a manner adequate enough to satisfy the members enough to approve the bonds. Extending the deadline would allow more in-depth consideration by our board and allow developers the needed time to sufficiently address any concerns.

B-2: Clarify that priority one projects submitted post-lottery do not supercede a priority two project submitted pre-lottery, by adding Section (h) to 1372.0231, stating *"residential rental project applications submitted post-lottery will be placed after every pre-lottery submission."*
To allow applicants to come in after the lottery and submit an application that supercedes those that participated in the lottery encourages applicants not to participate in the lottery and penalizes those that adhered to the deadlines with respect to earnest money contracts and lottery application submission. An unfair advantage is gained by those who submitted after the lottery, not only financially, but also because they could wait and see what application submission in the regions looks from a priority standpoint and submit a priority application based upon what others did not submit. Under the current program administration, those who participate in the lottery know the day of the lottery whether they will receive a reservation of allocation in January based upon an estimate of the amount of volume cap available to the subceiling and region, as well as their priority status and lottery number. Once the lottery results are

known, those applicants who receive a reservation of volume cap in January typically make arrangements to move forward with the project in terms of hiring applicable financing team members, as well as spending time and money to file for tax credits with TDHCA, and to determine the feasibility of their project. The possible response of a developer who is under the impression his project will receive a reservation upon learning that his reservation was being revoked in favor of a project that did not go through the lottery is litigation.

B-3: Eliminate the metro/non-metro designation or reword it by dedicating a hard dollar amount until June 1 ($15 million) to guarantee enough cap to fully fund at least one rural project per region each year.

The 2002 program year was the first year a portion of the volume cap available to Austin, Houston, and Dallas was carved out for non-metro areas of those regions. The carve-out equates to applying the percentage of the population residing in non-metro areas of these regions to the amount of volume cap available to these regions. Since the percentage of the rural population that actually resides in the mostly metropolitan regions is small, the corresponding amount of cap designated for non-metro projects out to be too small to realistically complete a multifamily project ($2.4 million for the Dallas region, $2.5 million for the Houston region, and $8 million for the Austin region), the majority of which require in excess of $10 million of private activity bond proceeds. The result for 2002 was the rural designated volume cap went unused and unreserved until June 1 when it collapsed for use in any type of local HFC multifamily application. For Program Year 2002, no rural multifamily projects in regions 3, 6, and 7 were reserved or closed. In order to ensure projects of this nature are completed in rural areas, a solution may be to dedicate a hard dollar amount of cap available to these regions (at least $10 million and up to $15 million).

B-4: Limit the number of multifamily applications one HFC may submit, establishing a merit system that requires HFCs to choose the most qualified candidates.

This would limit the volume of applications received. Much discussion has revolved around implementing this merit system for multifamily projects as they make up the majority of applications (238 of 320 thus far for 2002) and the fallout rate for these projects is 85% thus far for this year. These applications are the most time consuming to review and constant issuance and return of reservations makes them time consuming to administer. Since developers are not limited in the amount of applications they can submit, many of them submit multiple applications, sometimes taking one parcel of land and dividing it into several parcels which increase their odds of receiving a reservation. However, this practice increases the likelihood of failure and ties up volume cap unnecessarily. The BRB is not staffed to rank these projects by merit, thus limiting the number of applications an issuer may submit would force a merit system as the HFCs would end up choosing only the most qualified candidates. The same suggestion is made in regards to TDHCA. They could be limited to the multiple of the HFC limit and 11, representing the 11 regional designations. For example, if 5 was the number that each HFC is allowed to submit, TDHCA would submit up to 55 applications or 5 per region.

B-5: Eliminate the priority systems in regions outside of Austin, Houston and Dallas

Deals outside the regions that include Austin, Houston and Dallas are still not workable due to low AMFI and as a result, regions that need affordable housing are going without. Elimination of the priority systems in these regions would allow more affordable housing projects access to PAB financing outside of the high-rent, metropolitan areas of Austin, Houston and Dallas.

B-6: Reapportion the unallocated funds on August 15 to all subceilings with in-line applications.

The rules should be changed to specify that any state volume cap for a program year that has not yet been reserved as of August 15 in any of the six subceilings is redistributed and made available to all subceilings with "in-line" or unfulfilled applications in an amount prorated by their respective subceiling allocation percentages. Under the current program, any such state ceiling unreserved as of August 15 is specifically available only to the SC #4. This results in volume cap intended to be used for other purposes ending up allocated to mulitfamily housing projects. Using Program Year 2002 as an example, over $20 million in unused volume cap from SC #2 was redistributed to SC #4. As described in this report, SC #2 expanded to meet additional demand, reducing all other subceilings by an amount proportional to their original allocation percentages. When a portion of this SC #2 volume cap went unallocated, all unused cap was redirected to only one subceiling (SC #4) due to the program rules, creating an less than equitable situation for the applicants using the other four categories.

B-7: Amend Section 1372.042(a) of the Texas Government Code, which states *an issuer other than an issuer of qualified mortgage bonds shall close on the bonds for which the reservation was granted not later than the 120th day after the reservation date.* New language would read *an issuer other than an issuer of qualified mortgage bonds* <u>or an issuer under Section 1372.001(16)</u>, *shall close on the bonds for which the reservation was granted not later than the 120th day after the reservation date.*
Currently, the Texas Higher Education Coordinating Board, the Texas Veterans Land Board and the Texas Water Development Board issue tax-exempt bonds under SC #2. If issuers under SC #2 file applications for reservations before January 2 of any year, and the total of these reservations is greater than the amount available for issuance, Section 1372.024 provides that the excess is removed from the state ceiling available to other issuers up to a certain amount. Issuers, in order to guarantee that an allocation is available during the forthcoming year, must place a reservation and close on the associated bond transaction months before the money is actually needed. This burden places the issuers in the following predicaments: 1) having to issue bonds before the money is needed, resulting in realizing unnecessary negative arbitrage until the money begins to be used and 2) being forced to price a deal in a potentially bad market resulting in higher interest costs than expected if the sale was delayed.

B-8: Increase maximum application amount of Texas Water Development Board under subceiling #2 to $150 million to be used to help fund potential large scale water projects.
Since approximately $100 million per year would be potentially needed to help finance a large scale water project the likes of a desalination plant, TWDB's maximum application amount would need to be increased to $150 million. This increase could potentially result in the over-subscription of SC #2, forcing the expansion provision to account for the additional demand. While there is a limit to this expansion (currently allowed to expand by 4.5% for a maximum of 12.5% of total state bond cap), slight increases to this limit could be made to allow for TWDB's additional application amount (see Recommendation B-9). Advantages to this approach include the fact that the applicant for such a desalination project would not be required to compete with other applicants in SC #6. Furthermore, SC #6 would not be the only subceiling affected by this allocation. In the event that SC #2 expands, all five other subceilings would be decreased proportionate to their allocation percentages.

B-9: Adjust the expansion provision of the State Voted Issues subceiling to expand to up to 8% of the total state volume cap.
Section 1372.024(b) currently allows the State Voted Issues category to expand up to 4.5% of the total state volume cap to accommodate potential additional demand in this category. Since the issuers eligible under SC #3 only include state agencies that have been granted bonding authority by both the Legislature and by state referendum, a priority has been established for these issues. To ensure adequate allocation availability for these issuers while anticipating potential growth future demand, the increase in expansion provision limitations avoids future over-subscription problems within this category.

B-10: Require higher education authorities to submit financial information to the Bond Review Board.
Higher education authorities are established locally and their program operation is controlled by a local

board of directors. However, there is no current state level entity that collects and maintains financial information on the higher education authorities utilizing PABs to fund student loans. As part of its application for bond cap allocation, each higher education authority should be required to submit financial statements, portfolios amounts, default rates and a breakout of how student loans are being used, including a list of their client agencies. This information could then be used by the State to ensure that these PABs are being used for their intended purpose of benefitting higher education funding throughout Texas.

B-11: Remove 2% carve-out from SC #6.

The current 2% carve out for water projects in SC #6 should be removed due to several factors. First, by limiting the carve-out to 2%, the resulting dollar amount is such that it is unrealistic to expect any applicant to apply for such a small allocation. Secondly, since the TWDB currently has bonding authority for water projects in Texas, applicants that qualify for PAB financing can apply through that agency. Lastly, due to the carve-out being such a small dollar amount and therefore unlikely to be used, removal of this carve-out returns this volume cap to other SC #6 applicants.

B-12: Adjust the allocating percentages to better reflect current and anticipated needs within the subceilings.

The Qualified Small Issues category currently has far less demand than its current allocation amount. This category (SC #3) would be adjusted by reducing its allocation to 2.0%, but leaving the one-third carve-out for TAFA intact. The categories for Single Family and Multifamily Housing would also be reduced, to 28.0% and 22.0% respectively. While a reduction in percentage, based on state volume cap projections for 2004, both categories would continue to see allocation dollar amount growth. Furthermore, these percentages still represent a significant increase from their 2001 levels. These reductions would be used to return the Student Loan and All Other categories to their 2001 levels. Good public policy would support that the increases since 2001 in the per capita multiplier would be intended for the growth of all categories with adequate demand. Thus, returning certain categories to their 2001 levels, while increasing others where considerable demand exists is an equitable approach to distributing the volume cap increases. (See Appendix I for chart showing proposed 2004 allocation percentages with resulting volume cap totals by category.)

APPENDICES

APPENDIX A

PROJECTED STATE PAB VOLUME CAP: 2003-2013

Year	**Base Year 2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Est.Population with 1.5% Increase	**21,325,018**	21,644,893	21,969,567	22,299,110	22,633,597	22,973,101
Est. Volume Cap with 1.5% pop. Increase	**$75 per capita** $ **1,599,376,350**	**$75 per capita** $ 1,623,366,995	**$75 per capita** $ 1,647,717,500	**$75 per capita** $ 1,672,433,263	**$75 per capita** $ 1,697,519,762	**$75 per capita** $ 1,722,982,558
Est. Volume Cap **with $5 inflation boost** every 3 years	**$75 per capita** $ **1,599,376,350**	**$75 per capita** $ 1,623,366,995	**$80 per capita** $ 1,757,565,334	**$80 per capita** $ 1,783,928,814	**$80 per capita** $ 1,810,687,746	**$85 per capita** $ 1,952,713,566

Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Est.Population with 1.5% Increase	23,317,697	23,667,463	24,022,475	24,382,812	24,748,554	25,119,782
Est. Volume Cap with 1.5% pop. Increase	**$75 per capita** $ 1,748,827,296	**$75 per capita** $ 1,775,059,706	**$75 per capita** $ 1,801,685,601	**$75 per capita** $ 1,828,710,885	**$75 per capita** $ 1,856,141,549	**$75 per capita** $ 1,883,983,672
Est. Volume Cap **with $5 inflation boost** every 3 years	**$85 per capita** $ 1,982,004,269	**$85 per capita** $ 2,011,734,333	**$90 per capita** $ 2,162,022,722	**$90 per capita** $ 2,194,453,063	**$90 per capita** $ 2,227,369,859	**$95 per capita** $ 2,386,379,318

APPENDIX B

STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM

SUBCEILING	HB3329 /SB322 %		2002** $ 1,599,376,350 SET-ASIDE $$			REVISED* SET-ASIDE $$	Reallocation Difference
SC #1-SINGLE FAMILY HOUSING	**29.6%**	**$**	**473,415,400**	**29.36%**		469,538,478	3,876,921.77
TDHCA	1/3	$	157,805,133	1/3		156,512,826	
Sub-Total		$	315,610,266		$	313,025,652	
TSAHC Teacher Program (HB3451)		$	25,000,000		$	25,000,000	
LOCAL ISSUERS		$	290,610,266		$	288,025,652	
maximum application amount (SB322)			Varies upon population				
SC #2-STATE VOTED ISSUES	**8.0%**		**127,950,108.00**	8.75%	**$**	**140,000,000** *	
SC #3-QUALIFIED SMALL ISSUES	**4.6%**	**$**	**73,571,312**	**4.56%**		72,968,818	602,494.60
TX. Ag. Finance Authority (HB3329)	**1/3**	$	24,278,532.99	1/3		24,322,939	
SC #4-MULTIFAMILY HOUSING	**23.0%**	**$**	**367,856,561**	**22.81%**		364,844,088	3,012,473.00
TDHCA (SB322)	**1/4**	$	91,964,140	**1/4**		91,211,022	
LOCAL ISSUERS (SB322)	**3/4**		275,892,420	**3/4**		273,633,066	
maximum application amount		$	15,000,000		$	15,000,000	
SC #5-STUDENT LOAN BONDS	**8.8%**	**$**	**140,745,119**	8.73%		139,592,520	1,152,598.37
SC #6-ALL OTHER ISSUES	**26.0%**	**$**	**415,837,851**	**25.79%**		412,432,447	3,405,404.26
Water Projects (HB3329)	**2.0%**	$	8,316,757	2.0%	$	8,248,649	
TOTALS	100%	**$**	**1,599,376,350**	100.0%	**$**	**1,599,376,350**	12,049,892.00

*** Section 1372.024 (a) of the Texas Government Code allows for an increase in the state voted subceiling if applications received prior to January 2 exceed the cap set-aside. We received $140 million in requests for the state voted subceiling for approximately $128 million in available cap, thus per statute revised the state voted subceiling, and reallocated the remaining cap to the other subceilings.**

**** The 2002 volume cap is derived from the 2001 census population estimate of 21,325,032 for Texas released 12/28/01 as well as new bond cap of $75 per capita (H.R. 4577).**

APPENDIX C

2001 ALLOCATED PROJECTS - TEXAS PAB PROGRAM

SC	Issuer	User	Purpose	Amount
1	Arlington HFC	Eligible borrowers	Finance qualified mortgage loans to eligible borrowers to purchase single family residences	$ 19,629,061.80
1	Texoma HFC	Eligible Mortgagors	Finance qualified mortgage loans to eligible borrowers to purchase single family residences	$ 15,059,200.00
1	Galveston HFC	Eligible borrowers	Finance qualified mortgage loans to eligible borrowers to purchase single family residences	$ 5,235,000.00
1	Grand Prairie HFC	Eligible Borrowers	Finance qualified mortgage loans to eligible borrowers to purchase single family residences	$ 14,903,400.00
1	Middle Rio Grande HFC	Eligible borrowers	Bond proceeds will be used to purchase single family mortgage loans for owner occupied residences that qualify under S	$ 10,454,000.00
1	Hidalgo/Willacy HFC	Eligible borrowers	Bond proceeds will be used to purhcase single family mortgage loans for owner occupied residences that qualify under S	$ 20,602,500.00
1	Laredo HFC	Eligible borrowers	Bond proceeds will be used to purchase single family mortgage loans for owner occupied residences that qualify under S	$ 12,289,680.00
1	City of Dallas HFC	Eligible borrowers	To provide financing for mortgage loans made to eligible borrowers for purchase of single family residences.	$ 25,000,000.00
1	Harris County HFC	Eligible borrowers	Provision of financial assistance to qualifying mortgagors within Harris County, Texas (but not including Baytown, Deer F	$ 25,000,000.00
1	El Paso HFC	Eligible borrowers	Provide financing for mortgage loans made to eligible borrowers for purchase of single family residences	$ 25,000,000.00
1	Brazos Co. HFC	Eligible Borrowers	Acquisition of single family mortgage loans made to eligible borrowers within the IssuerÕs jurisdiction.	$ 16,468,200.00
1	Montgomery County HFC	Eligible borrowers	Qualified mortgage bonds	$ 16,060,750.00
1	Alamo Area HFC c/o Alamo /	Eligible Mortgagors	Single Family mortgage bonds	$ 15,089,300.00
1	Austin HFC	Eligible Mortgagors	Qualified mortgage bonds	$ 23,000,000.00
1	Collin Co. HFC	Eligible Mortgagors	Finance qualified loans to eligible borrowers to purchase single family residences	$ 17,827,200.00
1	Houston HFC	Eligible Mortgagors	Provision of financial assistance to qualifying mortgagors within the jurisdiction of the Issuer.	$ 25,000,000.00
1	Midland County HFC	Eligible Mortgagors	Qualified single family mortgage revenue bonds	$ 10,495,000.00
1	Travis County HFC	Eligible Borrowers	Proceeds of bonds will be used to acquire mortgage loans to eligible borrowers	$ 11,299,613.50
1	TDHCA	Individual obligors	Financial assistance to qualifying mortgagors within the jurisdiction of the Issuer	$ 108,603,000.00
3	Harris Co. IDC	L. Bentley Sanford Investments	Construction of an approximately 38,000 square feet manufacturing shop, warehouse and related offices as an addition t	$ 3,000,000.00
3	Hillsboro IDC	L. B. Foster Co.		$ 1,600,000.00
4	Harris Co. HFC	Palomino Place Apts., Ltd.	Acquisition and rehabilitation of a qualified residential rental project to be known as Palomino Place Apts.	$ 7,200,000.00
4	Housing Options, Inc.	Roseland Fellowship, LP	Construction of a 100-unit low income senior citizen multifamily complex.	$ 6,425,000.00
4	Houston HFC	Cullen Park Apts.	Acquisition and construction of a qualified residential rental project to be known as Cullen Park Apts.	$ 9,520,000.00
4	Houston HFC	Newport Finlay Partners	Acquisition and rehabilitation of a qualified rental project to be known as Newport Apts.	$ 7,450,000.00
4	Houston HFC	Houston Bellfort Pines Apts.	Acquisition and constructionof a qualified residential rental project to be known as Bellfort Pines Apts.	$ 10,000,000.00
4	TDHCA	TX Bluffview Housing	Acquisition and construction of a qualified residential rental project to be known as Bluffview	$ 10,700,000.00
4	TDHCA	Cobb Park Townhomes	Acquisition and construction of a qualified residential rental project to be known as Cobb Park Townhomes.	$ 7,500,000.00
4	TDHCA	Greens 14 Partners	Acquisition and construction of a qualified residential rental project to be known asGreens Road Apartments.	$ 8,375,000.00
4	TDHCA	TX Hillside Apts.	Acquisition and construction of a qualified residential rental project to be known as Hillside.	12/500000
4	TDHCA	Knollwood Villas	Acquisition and construction of a qualified residential rental project to be known as Knollwood Villas.	$ 13,750,000.00
4	TDHCA	Brisben Meridian Ltd.	Acquisition and construction of a qualified residential rental project to be known as The Meridian	$ 10,995,000.00
4	TDHCA	Oak Hollow Housing	Acquisition and construction of a qualified residential rental project to be known as Oak Hollow	$ 8,625,000.00
4	TDHCA	West Oaks/Finlay Partners III	Acquisition and construction of a qualified residential rental project to be known as West Oaks/Finlay III.	$ 10,150,000.00
4	TDHCA	Wildwood Branch Townhomes Apts.	Acquisition and construction of a qualified residential rental project to be known as Wildwood Branch Apartments.	$ 11,795,000.00
4	Brazos County HFC	College Station Southgate Village	Finance construction of the Southgate Village Apartments	$ 7,000,000.00
4	TDHCA	Sugar Creek Apartments	Acquisition and construction of a qualified residential rental project to be known as Sugar Creek Apartments.	$ 11,950,000.00
4	TDHCA	Millstone Apartments	Acquisition and construction of a qualified residential rental project to be known as Millstone Apartments	$ 12,500,000.00
4	North Central Texas HFC	One Buena Vista Ltd.	Acquisition and construction of a multifamily residential rental facility.	$ 9,600,000.00
4	North Central Texas HFC	One Bent Tree Ltd.	Acquisition and construction of a multifamily residential rental facility.	$ 12,400,000.00
4	North Central Texas HFC	Silverton Ltd.	Acquisition and construction of a multifamily residential rental facility.	$ 12,400,000.00
4	North Central Texas HFC	Ranch View Ltd.	Acquisition and construction of a multifamily residential rental facility.	$ 12,000,000.00
4	Austin HFC	TWC Housing, LLC	Acquisition and construction of residential rental facilities.	$ 15,000,000.00
4	Houston HFC	Park Row Apartments	Acquisition and construction of a qualified residential rental project to be known as Park Row Apartments.	$ 9,549,000.00
4	TDHCA	Fallbrook Apartments Ltd.	Acquisition and construction of a qualified residential rental project to be known as Fallbrook Apartments.	$ 13,500,000.00
4	TDHCA	Hemma, Ltd.	Acquisition and construction of a qualified residential rental project to be known as Skyway Villas.	$ 13,250,000.00
4	Travis County HFC	Westchester Woods Ltd.	Multifamily Housing Project	$ 15,000,000.00
4	Travis Co. HFC	Spicewood Development	Multifamily Housing Project	$ 9,300,000.00

4	Austin HFC	Riverside Meadows	Acquisition and construction of residential rental facilities	$ 11,500,000.00
4	Montgomery Co HFC	Montgomery Trace Apts.	Acquisition and construction of residential rental facilities	$ 7 500,000 00
4	Jefferson Co. HFC	Starcrest Apartments	Rehabilitation and improvements to a qualified residential rental facility.	$ 3,550,000.00
4	Austin HFC	Arbors Creekside LLC	Acquisition and construction of residential, rental facilities.	$ 8,600,000.00
5	Brazos HEA	Student loan bonds	Project, as defined. with respect to student loan bonds, in Section 190.1(c)(39), more particularly described as purchasir	$ 35,000,000.00
5	North Texas HEA	Student loan bonds	Purchase student loan notes which are guaranteed under the provisions of the Higher Education Act of 1965.	$ 31,840,000.00
5	Panhandle-Plains HEA	Student loan bonds	Purchase student loan notes which are guaranteed under the provisions of the Higher Education Act of 1965	$ 35,000,000.00
5	South Texas HEA	Student loan bonds	Purchase student loan notes which are guaranteed under the provisions of the Higher Education Act of 1965	$ 35,000,000.00
6	Gulf Coast Waste Disposal A	CITGO Petroleum Corp.	Acquisition and construction of sewage and solid waste disposal facilities	$ 25,000,000.00
6	Gulf Coast Waste Disposal A	Exxon Capital Ventures, Inc.	Acquisition. improvement and construction of sewage and solid waste disposal facilities.	$ 25,000,000.00
6	Gulf Coast Waste Disposal A	Valero Energy Corp.	Acquisition and construction of sewage and solid waste disposal facilities.	$ 18,500,000.00
6	Gulf Coast Waste Disposal A	Exxon Mobil Corp.	Development and construction of solid waste disposal facilities for a syngas processing facility at the Exxon Mobil Chemi	$ 25,000,000.00
6	Port of Port Arthur Navigatioi	Motiva Enterprises LLC	Construction of an industrial wastewater treatment plant.	$ 25,000,000.00
6	Harris Co. IDC	Deer Park Refining Limited Partnership		$ 25,000,000.00
6	Cass Co. IDC	International Paper Co.	Acquisition, construction, installation and equipping of sewage and solid waste disposal facilities at International Paper C	$ 3,000,000.00
6	Gulf Coast Waste Disposal A	Amoco Oil Co.	Acqusition and construction of pollution control, sewage and solid waste disposal facilities.	$ 25,000,000.00
6	Gulf Coast Waste Disposal A	American Acryl	Acqusition, improvement, construction or extension of sewage and solid waste disposal facilities.	$ 25,000,000.00
6	Port of Corpus Christi Author	Koch Petroleum Group	Industrial sewage and solid waste disposal facilities at the West Plant	$ 12,100,000.00
6	Brazos River Harbor Navigat	The Dow Chemical Co. (Oyster Creek P	Acquire, improve, install and construct an industrial sewage and wastewater treatment facilities and solid waste disposal	$ 25,000,000.00
6	Brazos River Authority	Brazos River Authority	Repairs to Morris Sheppard Dam on Lake Possum Kingdom.(Note: Morris Sheppard Dam and Lake Possum Kingdom w	$ 7,605,000.00
6	Trinity River Authority	Community Waste Disposal, Inc.	Acquisition, construction, and improvement of solid waste recycling and disposal facilities.	$ 20,000,000.00
6	Brazos River Harbor Navigat	Merey Sweeny	Industrial sewage and solid waste disposal facilities at the CompanyÕs Sweeny Plant	$ 25,000,000.00
6	Gulf Coast Waste Disposal A	Republic Waste Services of Texas Ltd	Acquisition, construction, and improvement of solid waste disposal facilities.	$ 3,500,000.00
6	Colorado River Municipal Wa	Republic Waste Services of Texas Ltd	Acquisition, construction, and improvement of solid waste disposal facilities.	$ 4,000,000.00
6	Brazos River Harbor Navigat	BASF Corp.	Acquisition and construction of sewage and solid waste disposal facilities.	$ 25,000,000.00
6	Calhoun Co. Navigation Distr	Formosa Plastics Corp.	Acquisition and construction of sewage and solid waste disposal facilities listed on Exhibit A hereto.	$ 25,000,000.00
6	Port Arthur Navigation Distric	Air Products and Chemicals Inc.	Acquisition and construction of solid waste disposal, sewage and related and subordinate facilities.	$ 25,000,000.00
6	Capital IDC	Texas Disposal Systems Inc.	Acquisition and construction of solid waste disposal facilities	$ 15,500,000.00

APPENDIX D

2002 LIHTC RENT LIMITS BY HOUSEHOLD SIZE

(For Projects that received allocations of LIHTC's in 1987, 1988 or 1989 and did not elect to change to the number of bedrooms method.)

			2002 LIHTC Maximum Rent Limits by Household Size							
	MSA		1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
MSA	Abilene	50%	360	412	463	515	556	597	638	680
		60%	432	495	556	618	667	717	766	816
MSA	Amarillo	50%	392	447	503	560	605	650	695	738
		60%	471	537	604	672	726	780	834	886
MSA	Austin/	50%	622	711	800	888	960	1031	1102	1173
	San Marcos	60%	747	853	960	1066	1152	1237	1323	1408
MSA	Beaumont/	50%	410	467	526	585	631	678	725	772
	Port Arthur	60%	492	561	631	702	757	814	870	927
MSA	Brazoria	50%	500	571	642	713	771	827	885	942
		60%	600	685	771	856	925	993	1062	1131
MSA	Brownsville/	50%	316	361	406	451	487	523	560	596
	Harlingen/	60%	379	433	487	541	585	628	672	715
	San Benito									
MSA	Bryan/	50%	403	462	520	577	623	670	716	762
	College Station	60%	484	555	624	693	748	804	859	915
MSA	Corpus Christi	50%	370	422	476	528	571	613	656	697
		60%	444	507	571	634	685	736	787	837
MSA	Dallas	50%	582	665	748	831	897	963	1031	1097
		60%	699	798	898	997	1077	1156	1237	1317
MSA	El Paso	50%	317	362	408	453	490	526	562	598
		60%	381	435	490	544	588	631	675	718
MSA	Ft. Worth/	50%	536	612	690	766	827	888	950	1011
	Arlington	60%	643	735	828	919	993	1066	1140	1213
MSA	Galveston/	50%	460	525	591	656	708	761	813	866
	Texas City	60%	552	630	709	787	850	913	976	1039
MSA	Henderson Co.	50%	322	368	415	461	498	535	572	608
		60%	387	442	498	553	598	642	687	730

MSA	**Houston**	50%	521	596	670	745	805	863	923	983
		60%	625	715	804	894	966	1036	1108	1180
MSA	**Killeen/Temple**	50%	348	397	447	497	537	577	617	656
		60%	418	477	537	597	645	693	741	787
MSA	**Laredo**	50%	316	361	406	451	487	523	560	596
		60%	379	433	487	541	585	628	672	715
MSA	**Longview/**	50%	363	415	467	518	560	601	643	685
	Marshall	60%	436	498	561	622	672	721	772	822
MSA	**Lubbock**	50%	398	455	512	568	613	660	705	751
		60%	478	546	615	682	736	792	846	901
MSA	**McAllen/**	50%	316	361	406	451	487	523	560	596
	Edinburg/	60%	379	433	487	541	585	628	672	715
	Mission									
MSA	**Midland/Odessa**	50%	373	427	480	533	576	618	661	705
		60%	448	513	576	640	691	742	793	846
MSA	**San Angelo**	50%	388	443	500	555	600	643	688	732
		60%	466	532	600	666	720	772	826	879
MSA	**San Antonio**	50%	403	462	520	577	623	670	716	762
		60%	484	555	624	693	748	804	859	915
MSA	**Sherman/**	50%	395	451	507	563	608	653	698	743
	Denison	60%	474	541	609	676	730	784	838	892
MSA	**Texarkana, TX/**	50%	356	407	457	508	550	590	631	671
	Texaskana, AR	60%	427	489	549	610	660	708	757	805
MSA	**Tyler**	50%	416	476	535	595	642	690	737	785
		60%	499	571	642	714	771	828	885	942
MSA	**Victoria**	50%	413	472	532	591	638	686	733	780
		60%	496	567	639	709	766	823	880	936
MSA	**Waco**	50%	405	462	521	578	625	671	717	763
		60%	486	555	625	694	750	805	861	916
MSA	**Wichita Falls**	50%	357	408	460	511	552	592	633	675

	60%	429	490	552	613	663	711	760	810

COUNTY

COUNTY Anderson	50%	353	403	455	505	545	586	626	666
	60%	424	484	546	606	654	703	751	799
COUNTY Andrews	50%	363	415	467	518	560	601	643	685
	60%	436	498	561	622	672	721	772	822
COUNTY Angelina	50%	357	408	460	511	552	592	633	675
	60%	429	490	552	613	663	711	760	810
COUNTY Aransas	50%	328	376	422	470	507	545	582	620
	60%	394	451	507	564	609	654	699	744
COUNTY Armstrong	50%	412	471	530	588	636	682	730	777
	60%	495	565	636	706	763	819	876	933
COUNTY Atascosa	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Austin	50%	442	505	568	631	681	732	782	833
	60%	531	606	682	757	817	879	939	1000
COUNTY Bailey	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Bandera	50%	353	403	455	505	545	586	626	666
	60%	424	484	546	606	654	703	751	799
COUNTY Baylor	50%	346	395	445	493	533	572	612	651
	60%	415	474	534	592	640	687	735	781
COUNTY Bee	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Blanco	50%	316	362	407	452	488	525	561	597
	60%	379	435	489	543	586	630	673	717
COUNTY Borden	50%	370	422	476	528	571	613	656	697
	60%	444	507	571	634	685	736	787	837
COUNTY Bosque	50%	353	403	455	505	545	586	626	666

	60%	424	484	546	606	654	703	751	799
COUNTY Brewster	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Briscoe	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Brooks	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Brown	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Burleson	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Burnet	50%	357	408	460	511	552	592	633	675
	60%	429	490	552	613	663	711	760	810
COUNTY Calhoun	50%	392	448	505	561	606	651	696	741
	60%	471	538	606	673	727	781	835	889
COUNTY Callahan	50%	376	430	483	537	580	623	666	710
	60%	451	516	580	645	696	748	799	852
COUNTY Camp	50%	360	412	463	515	556	597	638	680
	60%	432	495	556	618	667	717	766	816
COUNTY Carson	50%	455	520	585	650	702	753	806	857
	60%	546	624	702	780	843	904	967	1029
COUNTY Cass	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Castro	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Cherokee	50%	341	390	438	487	526	565	605	643
	60%	409	468	526	585	631	678	726	772
COUNTY Childress	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715

COUNTY Clay	50%	370	422	476	528	571	613	656	697
	60%	444	507	571	634	685	736	787	837
COUNTY Cochran	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Coke	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Coleman	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Collingsworth	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Colorado	50%	348	397	447	497	537	577	617	656
	60%	418	477	537	597	645	693	741	787
COUNTY Comanche	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Concho	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Cooke	50%	386	442	497	552	596	641	685	728
	60%	463	531	597	663	715	769	822	874
COUNTY Cottle	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Crane	50%	395	452	508	565	610	655	700	746
	60%	474	543	610	678	732	786	840	895
COUNTY Crockett	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Crosby	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Culberson	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Dallam	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715

COUNTY Dawson	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Deaf Smith	50%	320	366	411	457	493	531	567	603
	60%	384	439	493	549	592	637	681	724
COUNTY Delta	50%	457	522	588	653	706	758	811	862
	60%	549	627	706	784	847	910	973	1035
COUNTY DeWitt	50%	332	380	427	475	512	551	588	627
	60%	399	456	513	570	615	661	706	753
COUNTY Dickens	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Dimmit	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Donley	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Duval	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Eastland	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Edwards	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Erath	50%	366	417	470	522	563	606	647	690
	60%	439	501	564	627	676	727	777	828
COUNTY Falls	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Fannin	50%	388	443	500	555	600	643	688	732
	60%	466	532	600	666	720	772	826	879
COUNTY Fayette	50%	353	403	455	505	545	586	626	666
	60%	424	484	546	606	654	703	751	799
COUNTY Fisher	50%	316	361	406	451	487	523	560	596

	60%	379	433	487	541	585	628	672	715
COUNTY Floyd	50%	318	363	410	455	491	527	563	600
	60%	382	436	492	546	589	633	676	720
COUNTY Foard	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Franklin	50%	415	473	533	592	640	687	735	782
	60%	498	568	640	711	768	825	882	939
COUNTY Freestone	50%	322	367	413	460	496	533	570	607
	60%	387	441	496	552	595	640	684	729
COUNTY Frio	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Gaines	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Garza	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Gillespie	50%	390	445	501	556	601	645	690	733
	60%	468	534	601	667	721	774	828	880
COUNTY Glasscock	50%	377	432	486	540	583	626	670	712
	60%	453	519	583	648	700	751	804	855
COUNTY Goliad	50%	348	398	448	498	538	578	618	658
	60%	418	478	538	598	646	694	742	790
COUNTY Gonzalez	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Gray	50%	402	460	517	575	621	667	712	758
	60%	483	552	621	690	745	801	855	910
COUNTY Grimes	50%	345	393	443	492	532	571	611	650
	60%	414	472	532	591	639	685	733	780
COUNTY Hale	50%	342	392	441	490	528	568	607	646
	60%	411	471	529	588	634	682	729	775

COUNTY Hall	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Hamilton	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Hansford	50%	371	423	477	530	572	615	657	700
	60%	445	508	573	636	687	738	789	840
COUNTY Hardeman	50%	317	362	408	453	490	526	562	598
	60%	381	435	490	544	588	631	675	718
COUNTY Hartley	50%	428	490	551	612	661	710	760	808
	60%	514	588	661	735	793	852	912	970
COUNTY Haskell	50%	348	398	448	498	538	578	618	658
	60%	418	478	538	598	646	694	742	790
COUNTY Hemphill	50%	452	517	581	646	697	750	801	852
	60%	543	621	697	775	837	900	961	1023
COUNTY Hill	50%	318	363	410	455	491	527	563	600
	60%	382	436	492	546	589	633	676	720
COUNTY Hockley	50%	352	402	453	503	543	583	625	665
	60%	423	483	544	604	652	700	750	798
COUNTY Hopkins	50%	340	388	437	486	525	563	602	641
	60%	408	466	525	583	630	676	723	769
COUNTY Houston	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Howard	50%	333	382	430	477	516	553	592	630
	60%	400	459	516	573	619	664	711	756
COUNTY Hudspeth	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Hutchinson	50%	408	467	525	583	630	677	723	770
	60%	490	561	630	700	756	813	868	924
COUNTY Irion	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715

COUNTY Jack	50%	326	372	420	466	503	541	578	615
	60%	391	447	504	559	604	649	694	738
COUNTY Jackson	50%	342	391	440	488	527	567	606	645
	60%	411	469	528	586	633	681	727	774
COUNTY Jasper	50%	331	378	426	473	511	550	587	625
	60%	397	454	511	568	613	660	705	750
COUNTY Jeff Davis	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Jim Hogg	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Jim Wells	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Jones	50%	322	367	413	460	496	533	570	607
	60%	387	441	496	552	595	640	684	729
COUNTY Karnes	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Kendall	50%	558	637	717	797	861	925	988	1052
	60%	670	765	861	957	1033	1110	1186	1263
COUNTY Kenedy	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Kent	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Kerr	50%	372	425	478	531	573	616	658	701
	60%	447	510	574	637	688	739	790	841
COUNTY Kimble	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY King	50%	366	417	470	522	563	606	647	690
	60%	439	501	564	627	676	727	777	828

COUNTY Kinney	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Kleberg	50%	327	373	421	467	505	542	580	617
	60%	393	448	505	561	606	651	696	741
COUNTY Knox	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Lamar	50%	355	405	456	506	546	587	627	668
	60%	426	486	547	607	655	705	753	802
COUNTY Lamb	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Lampasas	50%	390	445	501	556	601	645	690	733
	60%	468	534	601	667	721	774	828	880
COUNTY La Salle	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Lavaca	50%	351	402	452	502	542	582	622	663
	60%	421	483	543	603	651	699	747	796
COUNTY Lee	50%	351	401	451	501	541	581	621	661
	60%	421	481	541	601	649	697	745	793
COUNTY Leon	50%	368	422	475	527	570	612	653	696
	60%	442	507	570	633	684	735	784	835
COUNTY Limestone	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Lipscomb	50%	381	435	490	543	587	631	673	717
	60%	457	522	588	652	705	757	808	861
COUNTY Live Oak	50%	351	401	451	501	541	581	621	661
	60%	421	481	541	601	649	697	745	793
COUNTY Llano	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Loving	50%	451	515	580	643	695	746	798	850

	60%	541	618	696	772	834	895	958	1020
COUNTY Lynn	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY McCullough	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY McMullen	50%	368	422	475	527	570	612	653	696
	60%	442	507	570	633	684	735	784	835
COUNTY Madison	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Marion	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Martin	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Mason	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Matagorda	50%	340	387	436	485	523	562	601	640
	60%	408	465	523	582	628	675	721	768
COUNTY Maverick	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Medina	50%	363	416	467	520	561	603	645	686
	60%	436	499	561	624	673	724	774	823
COUNTY Menard	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Milam	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Mills	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Mitchell	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715

COUNTY Montague	50%	318	363	410	455	491	527	563	600
	60%	382	436	492	546	589	633	676	720
COUNTY Moore	50%	375	427	481	535	577	620	663	706
	60%	450	513	577	642	693	744	796	847
COUNTY Morris	50%	341	390	438	487	526	565	605	643
	60%	409	468	526	585	631	678	726	772
COUNTY Motley	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Nacogdoches	50%	378	432	487	541	585	627	671	715
	60%	454	519	585	649	702	753	805	858
COUNTY Navarro	50%	357	407	458	510	551	591	632	673
	60%	429	489	550	612	661	709	759	808
COUNTY Newton	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Nolan	50%	325	371	417	463	501	537	575	612
	60%	390	445	501	556	601	645	690	735
COUNTY Ochiltree	50%	372	425	478	531	573	616	658	701
	60%	447	510	574	637	688	739	790	841
COUNTY Oldham	50%	412	471	530	588	636	682	730	777
	60%	495	565	636	706	763	819	876	933
COUNTY Palo Pinto	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Panola	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Parmer	50%	325	371	417	463	501	537	575	612
	60%	390	445	501	556	601	645	690	735
COUNTY Pecos	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Polk	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715

COUNTY Presidio	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Rains	50%	326	372	420	466	503	541	578	615
	60%	391	447	504	559	604	649	694	738
COUNTY Reagan	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Real	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Red River	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Reeves	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Refugio	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Roberts	50%	340	387	436	485	523	562	601	640
	60%	408	465	523	582	628	675	721	768
COUNTY Robertson	50%	317	362	408	453	490	526	562	598
	60%	381	435	490	544	588	631	675	718
COUNTY Runnels	50%	320	366	411	457	493	531	567	603
	60%	384	439	493	549	592	637	681	724
COUNTY Rusk	50%	377	431	485	538	581	625	667	711
	60%	453	517	582	646	697	750	801	853
COUNTY Sabine	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY San Augustine	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY San Jacinto	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715

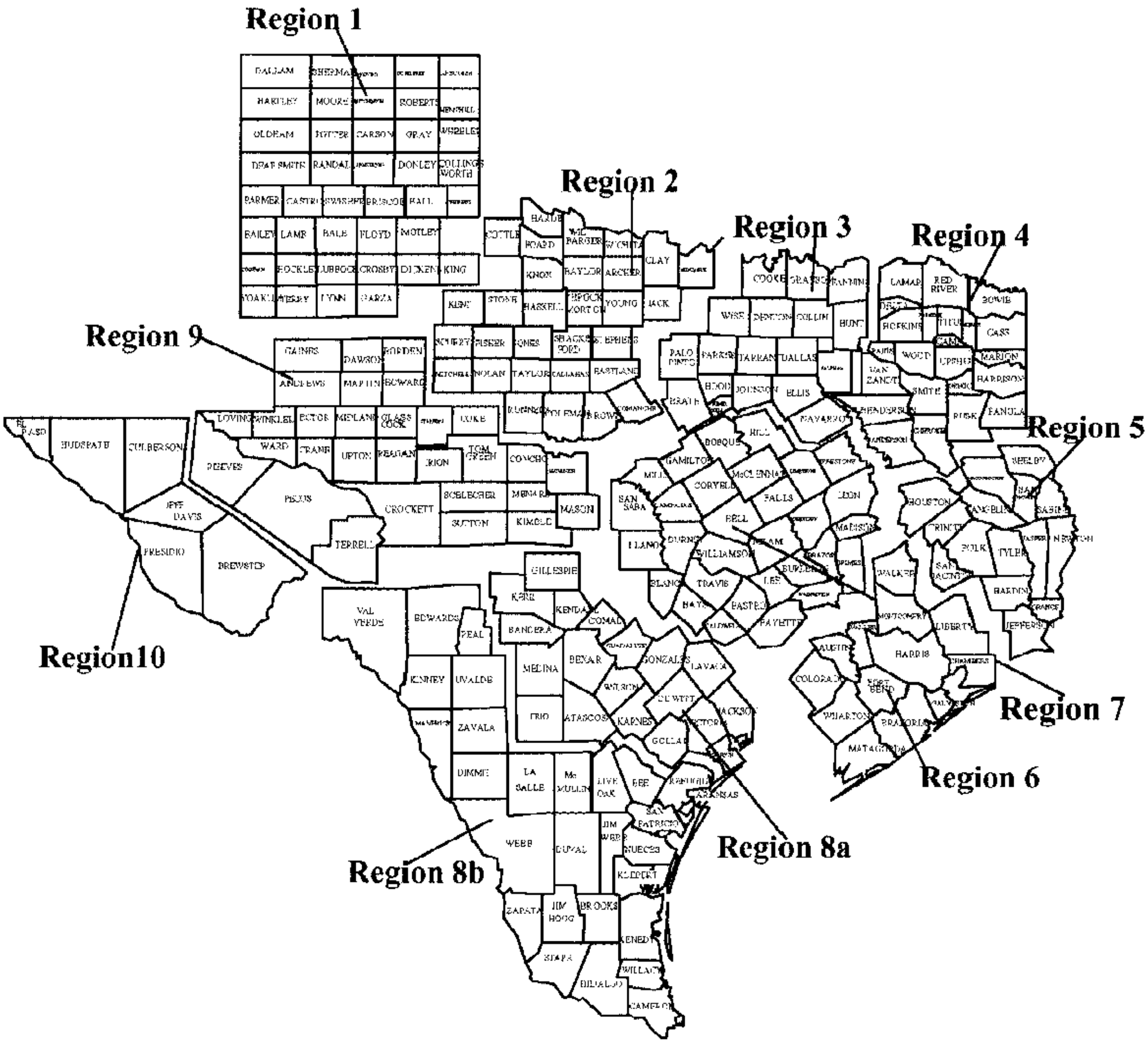
COUNTY San Saba	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Schleicher	50%	337	385	433	481	520	558	596	635
	60%	405	462	520	577	624	670	715	762
COUNTY Scurry	50%	345	393	443	492	532	571	611	650
	60%	414	472	532	591	639	685	733	780
COUNTY Shackleford	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Shelby	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Sherman	50%	322	367	413	460	496	533	570	607
	60%	387	441	496	552	595	640	684	729
COUNTY Somervell	50%	325	372	418	465	502	540	576	613
	60%	390	447	502	558	603	648	691	736
COUNTY Starr	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Stephens	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Sterling	50%	426	487	547	608	657	706	755	803
	60%	511	585	657	730	789	847	906	964
COUNTY Stonewall	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Sutton	50%	385	440	495	550	593	637	682	726
	60%	462	528	594	660	712	765	819	871
COUNTY Swisher	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Terrell	50%	333	382	430	477	516	553	592	630
	60%	400	459	516	573	619	664	711	756
COUNTY Terry	50%	325	372	418	465	502	540	576	613

	60%	390	447	502	558	603	648	691	736
COUNTY Throckmorton	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Titus	50%	350	400	450	500	540	580	620	660
	60%	420	480	540	600	648	696	744	792
COUNTY Trinity	50%	322	367	413	460	496	533	570	607
	60%	387	441	496	552	595	640	684	729
COUNTY Tyler	50%	320	365	411	456	492	528	566	602
	60%	384	438	493	547	591	634	679	723
COUNTY Upton	50%	352	402	453	503	543	583	625	665
	60%	423	483	544	604	652	700	750	798
COUNTY Uvalde	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Val Verde	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Van Zandt	50%	322	368	415	461	498	535	572	608
	60%	387	442	498	553	598	642	687	730
COUNTY Walker	50%	366	417	470	522	563	606	647	690
	60%	439	501	564	627	676	727	777	828
COUNTY Ward	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Washington	50%	392	448	505	561	606	651	696	741
	60%	471	538	606	673	727	781	835	889
COUNTY Wharton	50%	357	408	460	511	552	592	633	675
	60%	429	490	552	613	663	711	760	810
COUNTY Wheeler	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Wilbarger	50%	350	400	450	500	540	580	620	660
	60%	420	480	540	600	648	696	744	792

COUNTY Willacy	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Winkler	50%	335	382	431	478	517	555	593	632
	60%	402	459	517	574	621	666	712	759
COUNTY Wise	50%	396	452	510	566	611	656	702	747
	60%	475	543	612	679	733	787	843	897
COUNTY Wood	50%	347	397	446	496	536	576	615	655
	60%	417	477	535	595	643	691	738	786
COUNTY Yoakum	50%	353	403	455	505	545	586	626	666
	60%	424	484	546	606	654	703	751	799
COUNTY Young	50%	322	368	415	461	498	535	572	608
	60%	387	442	498	553	598	642	687	730
COUNTY Zapata	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715
COUNTY Zavala	50%	316	361	406	451	487	523	560	596
	60%	379	433	487	541	585	628	672	715

APPENDIX E

MAP OF CHAS UNIFORM SERVICE REGIONS



APPENDIX F

TEXAS PAB ALLOCATION PROGRAM: SC #4 TIMELINE

Current Multifamily Housing Deadlines

January 2

TDHCA Dedication:
25% to TDHCA
Local HFC Dedication:
75% to Local HFCs
-Divided into 11 regions (applicants compete within region).
-3 regions (Austin, Dallas, Houston) divided by metro/non-metro.

June 1

TDHCA Dedication:
25% to TDHCA (unaffected)
Local HFC Dedication:
75% to Local HFCs
-11 regions collapse into one statewide pot (applicants compete with other local issuers statewide on priority basis).*

August 15

-Set asides for TDHCA and Local HFCs combine into one multifamily pot.
-Any remaining volume cap from other 5 subceilings is dedicated to multifamily housing.
-Projects still competing on a priority, then lottery number basis.*

September 1

Subceilings collapse:
-Any remaining volume cap (including volume cap that becomes available after 9/1) is reserved strictly on original lottery number basis.
-Priority no longer a factor in reservation order.**

December 1

-Reservations may no longer be issued beyond the date of December 1.
-Any reservations that fall-out are considered "old" carryforward.

December 24

-All reservations amounts must be closed unless applied for under "new" carryforward provision.

December 31

*Priority 2 & 3 projects in areas of state where AMFI is below state average compete on Priority 1 basis but retain original priority status (ie. set-asides and rent caps are unaffected).

**Projects still must meet set-asides, rent cap requirements based on original priority status.

(Timeline based on 2002 Texas Private Activity Bond Program.)

APPENDIX G

PRIVATE ACTIVITY BOND ALLOCATION PROGRAMS: MOST POPULOUS STATES

STATE	VOLUME CAP (Millions)	SUBCEILINGS		NOTES	ALLOCATION PROCEDURE	AUTHORITY
		Amount	To			
California	$2,587.6	51.8%	Multifamily Housing		**Allocation Rounds -** The Committee establishes the number and tentative respective dates of the rounds, as well as the portion of the state cap available in each round. A minimum of two rounds are held each calendar year. The Committee reserves the right to alter the number of rounds, the amount available to each subceiling in each round, the schedule of the rounds, and the deadlines for applications.	California Debt Limit Allocation Committee 915 Capitol Mall, Room 311 Sacramento, CA 95814 (916) 653-3255 Fax: (916) 653-6827 http://www.treasurer.ca.gov/cdlac/ Laurie Weir, Executive Director (213) 620-2224 Email: lweir@treasurer.ca.gov
		23.6%	Single-Family Housing			
		8.5%	Exempt Facilities	To provide financing to businesses to clean up the environment and provide alternate energy resources; term can be up		
		5.9%	Student Loans			
		5.4%	Small Issue Industrial Development	To assist manufacturing companies in creating new jobs; cannot exceed $10 million per project; term can be up to 25		
		4.7%	Extra Credit Teacher Home Purchase Program	For teachers and principals in low-performing schools; must be willing to stay at the school for at least 5 years		
New York* (1996 data)	$1,425.9	33.30%	State Issues		**Policy Advisory Panel -** The panel consists of five members who provide policy advice regarding the priorities for allocations.	Empire State Development Department 633 Third Avenue New York, NY 10017-6706 (800) 782-8369 http://www.empire.state.ny.us/ Email: esd@empire.state.ny.us
		33.30%	Local Issues			
		33.30%	Statewide Bond Reser	Allocated at the Director's discretion for any issue including state and local issues		
Florida	$1,229.7	First $97.5 mil	Manufacturing Facilities	The first 75% is available on a first-come, first-served basis. The Governor's Office of Tourism, Trade and Economic Development ("OTTED") and the Department of Community Affairs allocate	January 1 - Allocations are made on a **first-come, first-served** basis. May 1 - "Priority Project" applications for allocations from the State Pool are due. The applications are reviewed by the Division of Bond Finance and: (A) all requests are granted an allocation or (B) all requests are sent to the Governor's Office for a decision if the total amount of the requests is greater than the amount available in the State Pool.	The Division of Bond Finance P.O. Box 1330 Tallahassee, Fl 32317 (850) 488-4782 Fax: (850) 413-1315 http://www.fsba.state.fl.us/bond/
		50% of remaining	Local Governments	Divided among 17 geographical Regional Pools (10 multi-county, 7 single county)		
		25% of remaining	Housing	To the Florida Housing Finance Corporation (FHFC) for multifamily and single-family housing		
		20% of remaining	Businesses	To the Florida First Business Allocation Pool for projects certified by OTTED to be qualified target industry businesses or which provide substantial economic benefit		
		5% of remaining	"Priority Projects"	Held in the State Pool until May 1 for "Priority Projects" (solid waste disposal and sewage facilities and projects located within an enterprise zone) also available to State Agencies (except the FHFC)		
Illinois	$936.2	$544.6 mil	Home-Rule Units	A Home-Rule unit is a county which has a chief executive officer elected by the electors of the county or any municipality which has a population of more than	Allocations are made by the Governor's office on a **first-come, first-served** basis.	Illinois Bureau of the Budget Office of the Governor 108 Statehouse Springfield, IL 62706 (217) 782-4520 Fax: (217) 524-1514 http://www.state.il.us/budget/ Email: budget@bob084r1.state.il.us Kim Fowler, Debt Management (217) 782-3500
		50% of remaining	State Issues	State Agency Pool - for State and State Agency issues		
		50% of remaining	Local Issues	Local Government Pool - No single government may receive more than 10% of the total amount in the Pool for a single project.		

PRIVATE ACTIVITY BOND ALLOCATION PROGRAMS: MOST POPULOUS STATES

STATE	VOLUME CAP (Millions)	SUBCEILINGS Amount	SUBCEILINGS To	NOTES	ALLOCATION PROCEDURE	AUTHORITY
Pennsylvania	$921.5	$317 mil	Small Issues		Allocations are made by the Secretary of Community and Economic Development on a **first-come, first-served** basis.	Dept. of Community and Economic Development 4th Floor, Commonwealth Keystone Building Harrisburg, PA 17120-0225 http://www.inventpa.com/ Mr. Kim Koffman Director (717) 783 1109
		$250 mil	Housing			
		$229.5 mil	Exempt Facilities			
		$125 mil	Student Loans			
Ohio	$853.0	**The lesser of:**			**Lottery** - The Director of the ODOD holds public lotteries to allocate issuing authority among competing projects. Financing for multifamily housing and manufacturing facilities is allocated through lotteries twice a year, in February and July. Exempt facility financing is distributed via lottery in February. The Director's discretionary fund is not subject to	Ohio Department of Development 77 S. High Street P.O. Box 1001 Columbus, OH 43216 (800) 848-1300 Fax: 614/644-5167 http://www.odod.state.oh.us/ Email: webmaster@odod.state.oh.us
		$224 mil or 40%	Single-Family Housing	To the Ohio Housing Finance Agency		
		$100 mil or 18%	Small Issues	Manufacturing facilities		
		$56 mil or 10%	Multifamily Housing	50% or more rent-restricted units		
		$44 mil or 7%	Student Loans	In even numbered years		
		$44 mil or 7%	Exempt Facilities	Solid waste disposal facilities		
		Remainder	Director's Discretionary Fund	All other issues		
Michigan	$749.3	60.0%	Local Issues	The State Treasurer may alter percentages based on allocation needs. In 2001, 96% went to state issues, 4% to local issues. In 2000, it was distributed 88% and 12% respectively.	Allocations may be made by the **State Treasurer** in any order without restrictions.	Michigan Department of Treasury Lansing, Michigan 48922 (517) 373-3200 http://www.michigan.gov/treasury Email: MIStateTreasurer@michigan.gov
		40.0%	State Issues			
New Jersey	$636.3	$200 mil	Student Loans		Allocations are made on a **first-come first-served** basis	New Jersey Department of Treasury State House, 1st Floor PO Box 002 Trenton, NJ 08625 Telephone (609) 292-5031 Fax (609) 984-3888 http://www.state.nj.us/treasury/ Email: webmaster@treas.state.nj.us
		$165.75 mil	Housing			
		$60 mil	Solid Waste			
		Remainder	All other issues			
Georgia	$628.8	42.50%	Economic Development	Project must retain or create 1 job for every $125,000 of financing.	Allocations for Economic Development are available on a **first-come, first-served** basis and are divided into three time periods: Jan 1-Mar 31, Apr 1-Jun 30, and Jul 1-Sept 30. Any funds not allocated during the first period roll into the second period (which rolls into the third period). All funds not allocated by Sept 30 are transferred into the Flexible Share Pool.	Georgia Dept. of Community Affairs 60 Executive Park South, N.E. Atlanta, GA 30329 (404) 679-4940 http://www.dca.state.ga.us/ Bobby Stevens, Special Assistant (404) 679-4943 Email: bstevens@dca.state.ga.us
		42.5%	Housing	$165.7 mil to Georgia Housing Finance Authority for multifamily and single-family housing $50.7 mil to URFA for local housing in Atlanta $50.7 mil to all other local housing issues (available until September 30. As of Oct 1, all remaining local funds are transferred to		
		15%	Flexible Share	All other issues	Housing allocations are available on a **first-come, first-served basis.** The Flexible Share Pool is	

PRIVATE ACTIVITY BOND ALLOCATION PROGRAMS

STATE	VOLUME CAP (Millions)	SUBCEILINGS Amount	SUBCEILINGS To	NOTES	First Come, First Served	Lottery	Allocation Board/Director
Alabama	$334.8	35%	Small Issues		X		
		25%	Housing				
		15%	Exempt Facilities				
		15%	All other issues				
		10%	Student Loans				
Alaska	$226.0	25%	Local Governments	No other specific allocation requirements			X
Arizona	$398.0	35%	Single-Family Housing		X		
		20%	Student Loans				
		15%	Manufacturing				
		10%	Multifamily Housing				
		10%	All other issues				
		10%	Director's Discretion				
Arkansas	$225.0	33%	Industrial Development		X		
		30%	General use				
		17%	Single-Family Housing				
		10%	Multifamily Housing				
		10%	Student Loans				
California	$2,587.6	51.8%	Multifamily Housing				X
		23.6%	Single-Family Housing				
		8.5%	Exempt Facilities				
		5.9%	Student Loans				
		5.4%	Small Issues				
		4.7%	Extra Credit Teacher Home Purchase Program				
Colorado	$331.3	50%	**State Authorities:**				X
			$95 mil to Housing				
			$48 mil to Student Loans				
			$10.5 mil to Agriculture				
		50%	Local Issues				

PRIVATE ACTIVITY BOND ALLOCATION PROGRAMS

STATE	VOLUME CAP (Millions)	SUBCEILINGS Amount	SUBCEILINGS To	NOTES	First come, First Served	Lottery	Allocation Board/Director
Connecticut	$256.9	40%	Housing				X
		32%	Development Authority				
		18%	Municipalities and Political subdivisions, departments, agencies, and authorities				
		10%	Contingencies				
Delaware	$225.0	N/A	N/A	Allocations are made at the governor's discretion			X
Florida	$1,229.7	First $97.5 million	Manufacturing Facilities		X		
		50% of remaining	Local Governments				
		25% of remaining	Housing				
		20% of remaining	Businesses				
		5% of remaining	State Issues	Held until May 1 for "Priority Projects"			
Georgia	$628.8	$267.2 mil	Economic Development		X		
		$267.2 mil	Housing				
		$94.4 mil	Flexible Share	Ex: solid waste disposal			
Hawaii	$225.0	50%	State Agencies		X		
		37.55%	City and County of Honolulu				
		5.03%	County of Kauai				
		5.01%	County of Maui				
		2.41%	County of Hawaii				
Idaho	$225.0	$170 mil	Single-Family Housing				X
		$30 mil	Exempt Facilities				
		$23 mil	Small Issues				
		$2 mil	Aggie Bonds				
		$0	Multifamily Housing				
		$0	Student Loans				
Illinois	$936.2	544.6 mil	Home-Rule Units	Governor's discretion	X		
		50% of remaining	State Issues				
		50% of remaining	Local Issues				
Indiana	$458.6	42%	Local Issues - Manufacturing				X
		28%	Single-Family Housing				
		20%	Multifamily Housing				
		9%	Development Finance Authority	Manufacturing (conduit			
		1%	Student Loans				

PRIVATE ACTIVITY BOND ALLOCATION PROGRAMS

STATE	VOLUME CAP (Millions)	SUBCEILINGS Amount	SUBCEILINGS To	NOTES	First come, First Served	Lottery	Allocation Board/Director
Iowa	$225.0	30%	Single-Family Housing				X
		21%	Small Issues				
		18%	Agriculture and Manufacturing				
		16%	Student Loans				
		12%	Economic Development				
		3%	Political Subdivisions				
Kansas	$225.0	$25 mil	Small Issues		X		
		$5 mil	Student Loans				
		$5 mil	Federal code section 141(b)(5)				
		Remainder	All other issues				
Kentucky	$304.9	60%	State Issues				X
		40%	Local Issues				
Louisiana	$334.9	50%	Single-Family Housing				X
		20%	Student Loans				
		20%	Economic Development				
		10%	Exempt Facilities				
Maine	$225.0	$40 mil	Housing				X
		$30 mil	Financing Authority				
		$10 mil	Student Loans				
		$10 mil	Municipal Bond Bank				
		Remainder	Unallocated as of 1/31/02				
Maryland	$403.1	50%	Counties				X
		25%	Housing				
		22.5%	All other issues				
		2.5%	Municipalities				
Massachusetts	$478.4	$155.1 mil	Housing				X
		$124 mil	Industrial Development				
		$119.6 mil	Student Loans				
		$79.7 mil	Economic development and housing	Governor's discretion			
Michigan	$749.3	60.0%	Local Issues	Percentages can be altered based on allocation needs			X
		40.0%	State Issues				

PRIVATE ACTIVITY BOND ALLOCATION PROGRAMS

STATE	VOLUME CAP (Millions)	SUBCEILINGS Amount	SUBCEILINGS To	NOTES	First come, First Served	Lottery	Allocation Board/Checker
Minnesota	$372.9	56.0%	Pools:				X
			33% Housing				
			20% Small Issues				
			3% Public Facilities				
		43.0%	Entitlements:	To be used for mortgage bonds, public facilities bonds, and residential rental bonds			
			23% Housing				
			9% City of Minneapolis				
			7% City of Saint Paul				
			4% Dakota County				
Mississippi	$225.0						
Missouri	$422.2	N/A	N/A	No set amounts are allocated among issuers. Missouri uses a competitive "first come first served" system and accepts applications year-round. Any funds left over after requests are allocated to	X		
Montana	$225.0	41.0%	Housing				X
		26.0%	Student Loans				
		25.0%	Board of Investments				
		4.0%	Board of Examiners				
		4.0%	Facilities				
Nebraska	$225.0	50%	Single-Family Housing	Available on a statewide			X
		30%	All other issues	Governor's Discretion			
		20%	Agriculture, Industrial, Manufacturing, Multifamily Housing, Single-Family Housing*	*For very low-income programs not available on a statewide basis			
Nevada	$225.0	50%	Local Issues				X
		50%	All other issues	Director's Discretion			
New Hampshire	$225.0	50%	Housing				X
		50%	Business Finance Authority	All other issues			
New Jersey	$636.3	$200 mil	Student Loans		X		
		$165.75 mil	Housing				
		$60 mil	Solid Waste				
		Remainder	All other issues				
New Mexico	$225.0	64.4%	Housing		X		
		31.1%	Student Loans				
		4.4%	All other issues				
New York* (1996 data)	$1,425.9	33.30%	State Issues				X
		33.30%	Local Issues				
		33.30%	Statewide Bond Reserve	Director's Discretion			

PRIVATE ACTIVITY BOND ALLOCATION PROGRAMS

STATE	VOLUME CAP (Millions)	SUBCEILINGS Amount	SUBCEILINGS To	NOTES	First come, First Served	Lottery	Allocation Board/Director
North Carolina	$614.0	Proposed for 2002:					X
		$50 mil	Multifamily Housing				
		$50 mil	Facilities				
		$25 mil	Student Loans				
		$15 mil	Agriculture				
		?	Industrial				
		Remainder at year's end	Single-Family Housing				
North Dakota	$225.0	N/A	N/A	All allocations are made on a first-come first-served			X
Ohio	$853.0	The lesser of:				X	
		$224 mil or 40%	Single-Family Housing				
		$100 mil or 18%	Small Issues				
		$56 mil or 10%	Multifamily Housing				
		$44 mil or 7%	Student Loans				
		$44 mil or 7%	Exempt Facilities				
		Remaining	All other issues	Director's Discretion			
Oklahoma	$259.5	$30,000,000 of any portion in excess of $170,000,000	Student Loans		X		
		$30,000,000 of any portion in excess of $170,000,000	Economic Development				
		Remainder of Excess	Local Single-Family Housing				
		18.75%	Small Issues				
		14.75%	Housing	Multifamily and Single-			
		8%	Agriculture and Exempt Facilities				
		6.25%	Student Loans				
		6%	State Issues				
		Remaining	Local Single-Family Housing				
Oregon	$260.5	$114 mil	Housing & Community Services				X
		$80.5 mil	Private Activity Bond Committee				
		$40 mil	Economic & Community Development Commission				
		$10 mil	Exempt Facilities				
		$9 mil	Office of Energy				
		$7 mil	Economic & Community Development Department				

PRIVATE ACTIVITY BOND ALLOCATION PROGRAMS

STATE	VOLUME CAP (Millions)	SUBCEILINGS Amount	SUBCEILINGS To	NOTES	First come, First Served	Lottery	Allocation Board/Director
Pennsylvania	$921.5	$317 mil	Small Issues		X		
		$250 mil	Housing				
		$229.5 mil	Exempt Facilities				
		$125 mil	Student Loans				
Rhode Island	$225.0	54.5%	Housing	Allocations are made at the discretion of the R.I. Public Finance Mgmt. Board. Figures listed are for 2001.			X
		42.7%	Student Loans				
		2.8%	Manufacturing				
South Carolina	$304.7	60%	Local Issues		X		
		40%	State Issues				
South Dakota	[illegible]						
Tennessee	$430.5	$75 mil	Housing				X
		$25 mil	State Issues				
		$25 mil	Student Loans				
		up to $20 mil	Exempt Facilities	From Jan 2 through June 30 and July 1 through Nov			
		up to $10 mil	Manufacturing				
Texas	$1,599.4	29.6%	Single-Family Housing	1/3 to TDHCA, $25 mil to TSAHC, remainder to local issuers		X	
		26.0%	All other issues	2% reserved for water projects			
		23.0%	Multifamily Housing				
		8.8%	Student Loans				
		8.0%	State-voted Issues	I.e. TX Water Development Board, TX Higher Education Coordinating Board			
		4.6%	Small issue IDBs and empowerment zone	1/3 to TX Agricultural Finance Authority			
Vermont	$225.0	$93 mil	Student Loans				X
		$82 mil	Housing				
		$25 mil	Winooski Redevelopment Project	For future allocation			
		$20 mil	Economic Development				
		$5 mil	Municipal Bond Bank				
Virginia	$539.1	41%	Housing		X		
		41%	Industrial Development	Manufacturing facilities get preference over exempt facilities until August 1			
		18%	State Issues	Governor's Discretion			

PRIVATE ACTIVITY BOND ALLOCATION PROGRAMS

STATE	VOLUME CAP (Millions)	SUBCEILINGS Amount	SUBCEILINGS To	NOTES	First come, First Served	Lottery	Allocation Board/Director
Utah	$225.0	42%	Single-Family Housing				
		33%	Student Loans				
		24%	Small Issues				
		1%	Exempt Facilities				
Washington	$449.1	30%	Housing		X		
		24%	Small Issues				
		19%	Exempt Facilities				
		14%	Student Loans				
		10%	Public Utilities				
		3%	All other issues				
West Virginia	$225.0	40%	Housing				X
		33%	Exempt Facilities				
		21%	Small Issues				
		6%	Empowerment Zones and Enterprise Communities				
Wisconsin	$405.1	50%	Housing and Economic Development	70% in 2002			X
		$10 mil	Building Commission				
		Remainder	All other issues	Department of Commerce's discretion			
Wyoming	$225.0	$90 mil	Community Development Authority	Allocations are made in two rounds - Jan 15 and June			X
		Remainder	All other issues				
District of Columbia	$225.0						
TOTAL	$23,876.2						

APPENDIX H

SC #1 - ALL ISSUERS - Single Family

YEAR	TOTAL CAP	SET ASIDE	%	# OF APPS	$$ REQUEST	# OF RESV	# CLOSINGS	$$ CLOSED	% of Total
1992	$ 867,450,000	$ 242,886,000	28%	21	$ 471,359,525	12	10	$242,825,600	27.99%
1993	$ 882,800,000	$ -	0%	21	$ 468,746,950	7	6	$144,166,250	16.33%
1994	$ 901,550,000	$ 252,434,000	28%	30	$ 532,319,700	15	15	$329,544,114	36.55%
1995	$ 918,900,000	$ 257,292,000	28%	24	$ 528,433,100	13	13	$306,410,450	33.35%
1996	$ 918,900,000	$ 257,292,000	28%	29	$ 541,617,797	16	15	$288,509,975	31.40%
1997	$ 956,400,000	$ 267,792,000	28%	38	$ 719,105,825	18	17	$328,284,065	34.32%
1998	$ 971,966,850	$ 306,169,558	31.5%	33	$ 679,219,590	16	14	$368,328,474	37.90%
1999	$ 987,980,700	$ 311,213,921	31.5%	37	$ 747,606,300	16	16	$340,150,320	34.43%
2000	$ 1,002,207,050	$ 311,213,921	25.0%	32	$ 633,116,675	12	12	$251,088,308	25.05%
2001	$ 1,303,238,750	$ 325,809,688	25.0%	48	$ 926,626,479	21	19	$418,475,905	32.11%

SC #1 - LOCAL ISSUERS - Single Family

YEAR	TOTAL CAP	SET ASIDE	%	# OF APPS	$$ REQUEST	# OF RESV	# CLOSINGS	$$ CLOSED	% of Total
1992	$ 867,450,000	$ 161,924,000	2/3 OF 28%	20	$ 390,399,525	11	9	$161,924,000	18.67%
1993	$ 882,800,000	$ -	0%	20	$ 368,746,950	6	5	$144,166,250	16.33%
1994	$ 901,550,000	$ 168,289,333	2/3 OF 28%	29	$ 448,175,033	14	14	$245,404,114	27.22%
1995	$ 918,900,000	$ 171,528,000	2/3 OF 28%	23	$ 442,669,100	12	12	$220,650,450	24.01%
1996	$ 918,900,000	$ 151,528,000	2/3 OF 28% less $20 MM	26	$ 431,439,375	13	13	$202,749,975	22.06%
1997	$ 956,400,000	$ 158,528,000	2/3 OF 28% less $20 MM	36	$ 629,841,825	16	15	$239,024,065	24.99%
1998	$ 971,966,850	$ 204,113,039	2/3 OF 31.5%	32	$ 577,164,590	15	13	$266,273,474	27.40%
1999	$ 987,980,700	$ 207,475,947	2/3 OF 31.5%	36	$ 643,868,326	15	15	$236,415,320	23.93%
2000	$ 1,002,207,050	$ 167,034,508	2/3 OF 25%	31	$ 549,601,675	11	11	$167,573,308	16.72%
2001	$ 1,303,238,750	$ 217,206,459	2/3 OF 25%	47	$ 818,023,250	20	18	$309,872,905	23.78%

SC #1 - TDHCA - Single Family

YEAR	TOTAL CAP	SET ASIDE	%	# OF APPS	$$ REQUEST	# OF RESV	# CLOSINGS	$$ CLOSED	% of Total
1992	$ 867,450,000	$ 80,962,000	1/3 OF 28%	1	$ 80,960,000	1	1	$ 80,901,600	9.33%
1993	$ 882,800,000	$ -	0%	1	$ 100,000,000	1	1	$ 58,475,000	6.62%
1994	$ 901,550,000	$ 84,144,667	1/3 OF 28%	1	$ 84,144,667	1	1	$ 84,140,000	9.33%
1995	$ 918,900,000	$ 85,764,000	1/3 OF 28%	1	$ 85,764,000	1	1	$ 85,760,000	9.33%
1996	$ 918,900,000	$ 85,764,000	1/3 OF 28%	2	$ 85,764,000	2	2	$ 85,760,000	9.33%
			plus $20MM	1	$ 20,000,000	1	0	$ -	
1997	$ 956,400,000	$ 89,264,000	1/3 OF 28%	2	$ 89,264,000	2	2	$ 89,260,000	9.33%
			plus $20MM	0	$ -	0	0	$ -	0.00%
1998	$ 971,966,850	$ 102,055,000	1/3 OF 31.5%	1	$ 102,055,000	1	1	$ 102,055,000	10.50%
1999	$ 987,980,700	$ 102,055,000	1/3 OF 31.5%	1	$ 103,737,974	1	1	$ 103,735,000	10.50%
2000	$ 1,002,207,050	$ 83,517,254	1/3 OF 25%	1	$ 83,515,000	1	1	$ 83,515,000	8.33%
2001	$ 1,303,238,750	$ 108,603,229	1/3 OF 25%	1	$ 108,603,229	1	1	$ 108,603,000	8.33%

SC #2 - STATE VOTED

YEAR	TOTAL CAP	SET ASIDE	%	# OF APPS	$$ REQUEST	# OF RESV	# CLOSINGS	$$ CLOSED	% of Total
1992	$ 867,450,000	$ 151,803,750	17.5%	2	$ 135,000,000	2	2	$ 100,000,000	11.53%
1993	$ 882,800,000	$ 239,513,792	27.14%	2	$ 110,000,000	2	2	$ 110,000,000	12.46%
1994	$ 901,550,000	$ 157,771,250	17.5%	2	$ 125,000,000	2	2	$ 110,000,886	12.20%
1995	$ 918,900,000	$ 160,807,500	17.5%	1	$ 48,850,000	1	1	$ 48,850,000	5.32%
1996	$ 918,900,000	$ 160,807,500	17.5%	2	$ 110,178,422	2	2	$ 110,175,311	11.99%
1997	$ 956,400,000	$ 167,370,000	17.5%	1	$ 75,000,000	1	1	$ 75,000,000	7.84%
1998	$ 971,966,850	$ 126,355,690	13.0%	1	$ 35,000,000	1	0	$ -	0.00%
1999	$ 987,980,700	$ 128,437,491	13.0%	1	$ 75,000,000	1	1	$ 75,000,000	7.59%
2000	$ 1,002,207,050	$ 110,242,776	11.0%	2	$ 95,000,000	2	2	$ 95,000,000	9.48%
2001*	$ 1,303,238,750	$ 143,356,262	11.0%	1	$ 75,000,000	1	0	$ -	0.00%

* The Texas Higher Education Coordinating Board's $75,000,000 reservation was cancelled due to failure to file 35-day documents.

SC #3 - SMALL ISSUE IDBS

YEAR	TOTAL CAP	SET ASIDE	%	# OF APPS	$$ REQUEST	# OF RESV	# CLOSINGS	$$ CLOSED	% of Total
1992	$ 867,450,000	$ 65,058,750	7.5%	17	$ 91,685,000	17	2	$ 10,250,000	1.18%
1993	$ 882,800,000	$ -	0%	1	$ 10,000,000	1	0	$ -	0.00%
1994	$ 901,550,000	$ 67,616,250	7.5%	11	$ 64,250,000	11	10	$ 56,850,000	6.31%
1995	$ 918,900,000	$ 68,917,500	7.5%	16	$ 75,850,000	16	12	$ 57,295,000	6.24%
1996	$ 918,900,000	$ 68,917,500	7.5%	29	$ 150,225,000	29	13	$ 59,620,973	6.49%
1997	$ 956,400,000	$ 71,730,000	7.5%	22	$ 125,175,000	19	12	$ 71,730,000	7.50%
1998	$ 971,966,850	$ 72,897,514	7.5%	21	$ 119,036,000	20	14	$ 71,336,000	7.34%
1999	$ 987,980,700	$ 74,098,552	7.5%	28	$ 147,035,000	27	12	$ 48,900,000	4.95%
2000	$ 1,002,207,050	$ 75,165,529	7.5%	22	$ 101,501,000	22	15	$ 37,001,000	3.69%
2001	$ 1,303,238,750	$ 97,742,906	7.5%	9	$ 633,116,675	8	2	$ 4,600,000	0.35%

SC #4 - RESIDENTIAL RENTAL (MULTI-FAMILY HOUSING)

YEAR	TOTAL CAP	SET ASIDE	%	# OF APPS	$$ REQUEST	# OF RESV	# CLOSINGS	$$ CLOSED	% of Total
1992	$ 867,450,000	$ 43,372,500	5%	26	$ 201,115,000	25	2	$ 4,265,000	0.49%
1993	$ 882,800,000	$ 68,428,035	7.76%	26	$ 156,414,000	25	6	$ 27,270,000	3.09%
1994	$ 901,550,000	$ 45,077,500	5%	32	$ 152,585,000	29	7	$ 26,505,000	2.94%
1995	$ 918,900,000	$ 45,945,000	5%	24	$ 213,483,000	4	2	$ 45,945,000	5.00%
1996	$ 918,900,000	$ 45,945,000	5%	20	$ 119,075,000	17	8	$ 45,945,000	5.00%
1997	$ 956,400,000	$ 47,820,000	5%	47	$ 342,769,000	24	6	$ 54,740,000	5.72%
1998	$ 971,966,850	$ 72,897,514	7.5%	65	$ 484,554,897	20	10	$ 95,032,000	9.78%
1999	$ 987,980,700	$ 74,098,552	7.5%	111	$ 1,099,672,416	20	14	$ 129,648,000	13.12%
2000	$ 1,002,207,050	$ 165,364,163	16.5%	150	$ 1,656,209,187	42	27	$ 177,881,805	17.75%
2001*	$ 1,303,238,750	$ 215,034,394	16.5%	135	$ 1,521,770,064	56	31	$ 319,584,000	24.52%

* 8 issuers in the multifamily SC applied for carryforward in 2001 under the new carryforward provision (totaling $91,757,831), allowing the full 120 days to close. Of the 8, 3 withdrew or were cancelled in a combined amount of $31,807,831. That amount was therefore carried with the issuer for which it was reserved, along with $1,050,000 released by one of the issuers at closing, and will be considered the first volume cap used by those issuers in 2002.

SC #5 - ALL OTHER

YEAR	TOTAL CAP	SET ASIDE	%	# OF APPS	$$ REQUEST	# OF RESV	# CLOSINGS	$$ CLOSED	% of Total
1992	$ 867,450,000	$ 364,329,000	42%	20	$ 723,000,000	18	15	$ 510,105,000	58.81%
1993	$ 882,800,000	$ 574,858,173	65.10%	25	$ 1,114,330,000	17	12	$ 572,355,000	64.83%
1994	$ 901,550,000	$ 378,651,000	42%	23	$ 1,018,500,000	11	9	$ 378,650,000	42.00%
1995	$ 918,900,000	$ 385,938,000	42%	44	$ 1,732,100,000	13	12	$ 460,335,000	50.10%
1996	$ 918,900,000	$ 385,938,000	42%	39	$ 969,900,000	19	17	$ 414,600,000	45.12%
1997	$ 956,400,000	$ 401,688,000	42%	35	$ 840,800,000	18	16	$ 426,645,935	44.61%

1998 - Subceilings split. **SC #5 designated as student loans SC#6 designated as all other**

SC #5 - ALL OTHER - STUDENT LOAN ONLY

YEAR	TOTAL CAP	SET ASIDE	%	# OF APPS	$$ REQUEST	# OF RESV	# CLOSINGS	$$ CLOSED	% of Total
1992	$ 867,450,000			4	$ 168,000,000	3	3	$ 150,000,000	17.29%
1993	$ 882,800,000			6	$ 269,975,000	5	5	$ 219,975,000	24.92%
1994	$ 901,550,000			5	$ 200,000,000	2	2	$ 73,650,000	8.17%
1995	$ 918,900,000			6	$ 286,652,550	4	4	$ 186,652,550	20.31%
1996	$ 918,900,000			6	$ 210,000,000	3	3	$ 105,000,000	11.43%
1997	$ 956,400,000			4	$ 140,000,000	4	4	$ 140,000,000	14.64%
1998	$ 971,966,850	$ 106,916,354	11%	5	$ 175,000,000	4	4	$ 140,000,000	14.40%
1999	$ 987,980,700	$ 108,677,877	11%	4	$ 140,000,000	3	3	$ 105,000,000	10.63%
2000	$ 1,002,207,050	$ 105,231,740	10.5%	7	$ 245,000,000	3	3	$ 105,000,000	10.48%
2001	$ 1,303,238,750	$ 136,840,069	10.5%	4	$ 136,840,069	4	4	$ 136,840,069	10.50%

SC #5 - ALL OTHER - WITHOUT STUDENT LOANS

YEAR	TOTAL CAP	SET ASIDE	%	# OF APPS	$$ REQUEST	# OF RESV	# CLOSINGS	$$ CLOSED	% of Total
1992	$ 867,450,000			16	$ 555,000,000	15	12	$ 360,105,000	41.51%
1993	$ 882,800,000			19	$ 844,355,000	12	8	$ 352,380,000	39.92%
1994	$ 901,550,000			19	$ 818,500,000	9	7	$ 305,000,000	33.83%
1995	$ 918,900,000			38	$ 1,445,447,450	9	8	$ 273,682,450	29.78%
1996	$ 918,900,000			33	$ 759,900,000	16	14	$ 309,600,000	33.69%
1997	$ 956,400,000			31	$ 700,800,000	14	12	$ 286,645,935	29.97%
	CF- Brazos River Auth. TUEC-Unit#1 Commanche Peak				$ 24,960,935			$ 24,960,935	

SC #6 - ALL OTHER - WITHOUT STUDENT LOANS

1998	$ 971,966,850	$ 286,730,220	29.5%	39	$ 858,500,000	15	14	$ 286,725,000	29.50%
CF98001	ISSUED	Brazos River Authority Texas Utilities Electric Comp	$10,545,376		12/30/1998				
1999	$ 971,966,850	$ 291,454,307	29.5%	32	$ 672,000,000	17	14	$ 281,654,307	28.98%
CF99001	ISSUED	Brazos River Authority TUEC - Comanche Peak	$ 7,628,073		1/14/2000				
2000	$ 1,002,207,050	$ 295,651,080	29.5%	36	$ 706,890,000	17	15	$ 295,615,000	29.50%
CF00001	ISSUED	Brazos River Authority TUEC-Comanche Peak	$ 13,121,937		12/29/2000				
2001	$ 1,303,238,750	S 384,445,431	29.5%	41	$ 776,081,580	21	20	$ 384,205,000	29.48%
CF01001	ISSUED	Brazos River Authority BRA- DeCordova Bend Dam	$ 6,675,000		1/30/2002				

* The CF designation represents traditional carryforward. $6,675,000 was available under the traditional carryforward designation in 2001 as this represents volume cap that was made available between 12/1-12/31 due to cap coming back from an issue's failure to close or closing for less than originally anticipated. Issuers that apply for and are granted traditional carryforward status have three years to close on their transaction.

APPENDIX I

STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM

SUBCEILING	HB3329 /SB322 %	2003* $ 1,623,366,975 SET-ASIDE $$	Proposed %***	2004** $ 1,757,565,334 SET-ASIDE $$
SC #1-SINGLE FAMILY HOUSING	29.6%	$ 480,516,625	*28.0%*	*$ 492,118,294*
TDHCA	1/3	$ 160,172,208	*1/3*	*$ 164,039,431*
Sub-Total		$ 320,344,416		*$ 328,078,862*
TSAHC Teacher Program (HB3451)		$ 25,000,000		*$ 25,000,000*
LOCAL ISSUERS		$ 295,344,416		*$ 303,078,862*
maximum application amount (SB322)		Varies upon population		*Varies upon population*
SC #2-STATE VOTED ISSUES	8.0%	$ 129,869,358	*8.0%*	*$ 140,605,227*
SC #3-QUALIFIED SMALL ISSUES	4.6%	$ 74,674,881	*2.0%*	*$ 35,151,307*
TX. Ag. Finance Authority (HB3329)	1/3	24,642,711	*1/3*	*$ 11,599,931*
SC #4-MULTIFAMILY HOUSING	23.0%	$ 373,374,404	*22.0%*	*$ 386,664,373*
TDHCA (SB322)	1/4	$ 93,343,601	*1/4*	*$ 96,666,093*
LOCAL ISSUERS (SB322)	3/4	$ 280,030,803	*3/4*	*$ 289,998,280*
maximum application amount		$ 15,000,000		*$ 15,000,000*
SC #5-STUDENT LOAN BONDS	8.8%	$ 142,856,294	*10.5%*	*$ 184,544,360*
SC #6-ALL OTHER ISSUES	26.0%	$ 422,075,414	*29.5%*	*$ 518,481,774*
Water Projects (HB3329)	2.0%	$ 8,441,508		
TOTALS	100%	$ 1,623,366,975	*100%*	*$ 1,757,565,334*

* The 2003 volume cap is derived from by taking the 2002 population estimate of 21,644,893 and applying bond cap of $75 per capita (H.R. 4577). The 2002 population estimate for Texas was calculated by applying a 1.5% increase to the 2001 census population estimate of 21,325,018 for Texas released 12/28/01. Actual 2002 population date for Texas will be released by the census at the end of December, at which time the volume cap will be adjusted to reflect said census estimate.

** The 2004 volume cap is derived from taking the 2003 pop estimate of 21,969,567 and applying that bond cap of $80 per capita. Projections indicate that the national inflation rate will increase by 2004 to allow the per capita multiplier to be raised to $80 (per inflation index formula).

*** Proposed percentages result in all categories receiving more total allocation than in previous years. Furthermore, single family (SC #1) and multi-family housing (SC #4) categories have higher allocation percentages than in 2001 (before bond cap increase).