



OVERVIEW

Tuition Revenue Bonds

What is a Tuition Revenue Bond (TRB)?

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

Use of Tuition Revenue Bonds

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

Process for Evaluation of Tuition Revenue Bonds

- If requested by the Legislature, the Coordinating Board evaluates the requests for authority submitted by the institutions in their Legislative Appropriations Request.
- The Legislature authorizes issuance of the bonds in legislation.
- The institutions request project and financing approval from its Board of Regents.
- The Board of Regents grants approval for the project.
- The project is submitted to the Coordinating Board for evaluation. (Because the project was already approved by the Legislature, the Coordinating Board's role is to evaluate the project to determine if it meets the Coordinating Board's standards found in Chapter 17. Resource Planning Subchapter J. Rules Applying to Tuition Revenue Bond Projects.)
- The evaluation is approved by the Coordinating Board and a copy is provided to the Governor, Lt. Governor, and the Legislative Budget Board.
- The institution (or system) completes an application for the Bond Review Board.
- The Bond Review Board verifies that the institution has approval for the issuance of the bonds, analyzes the project request to determine that the funds are available to service the debt, and that the financing system is appropriate.
- The Bond Review Board authorizes the issuance of the bonds.
- The Attorney General reviews and approves the issuance of the bonds.
- The institution (or system) sells the bonds and services the debt.
- Upon completion of the project, the institution includes the facility (if appropriate) in its facilities inventory.

Legislative History of Tuition Revenue Bonds

- The Texas Legislature first authorized tuition revenue bonds for particular campuses in 1971 and 1973. The total amount authorized was \$267.5 million. Between 1971 and 1974, \$241 million in tuition revenue bonds were issued.
- In 1991, as part of the South Texas Border initiative, the 72nd – 74th Texas Legislatures granted \$421.4 million in new bonding authority.
- In 1997, the 75th Texas Legislature authorized new bonding authority to 41 institutions, totaling \$638.4 million.
- In the 79th Texas Legislature, Regular Session, higher education institutions initially requested \$3.1 billion in tuition revenue bond authority for 119 projects, requiring an annual debt service of \$286.7 million. The Legislature did not act on these requests during the regular session.
- During the 79th Texas Legislature, Third Called Session, the Coordinating Board was asked by the Legislature to develop new criteria by which TRB projects could be evaluated for funding decisions. A total of 155 proposals totaling \$4.5 billion were resubmitted for review and evaluation by the Coordinating Board using the new criteria. The Legislature finally approved 63 projects totaling \$1.86 billion, but did not provide funding for the projects at that time. For information regarding the TRB requests during the 79th Texas Legislature, Third Called Session, please visit the Coordinating Board website at <http://www.thecb.state.tx.us/reports/PDF/1317.PDF>
- During the 80th Texas Legislature, the TRB projects approved during the previous legislative session were authorized for funding.

Financing with Tuition Revenue Bonds

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

For more information: Office of External Relations
Texas Higher Education Coordinating Board
er@thecb.state.tx.us
www.thecb.state.tx.us/Agency/Topics.cfm
(512) 427-6111