10.300 Debt Management

10.301 **Incurring Debt.** The System, the System Administration, and the Institutions shall issue or incur debt (taxable or tax exempt) in accordance with applicable federal and state law and pursuant to actions taken by the Board to authorize the issuance or incurrence of debt. The System, the System Administration, and the Institutions shall obtain an opinion from bond counsel that the issue complies with applicable laws and regulations and receive requisite approval from all necessary state agencies before issuing or incurring any long-term or short-term debt. If a project requires Texas Higher Education Coordinating Board approval, no debt proceeds will be allocated to that project prior to receiving such approval.

10.302 **Short-term Indebtedness.**

1. The Board delegates to the Vice Chancellor for Finance, subject to Section 10.308 below, the authority to issue short-term indebtedness of up to $150,000,000 in Revenue Financing System (“RFS”) commercial paper, which may be issued as traditional commercial paper (“CP”) or as extendible commercial paper (“ECP”). The aggregate principal amount of CP at any one time outstanding shall not exceed: (a) the aggregate principal amount established by resolution of the Board; (b) liquidity requirements approved by the Board; and (c) the sum of self-liquidity provided by the System and liquidity support obtained with the approval of the Board from a financial institution. The aggregate principal amount of ECP at any one time outstanding shall not exceed: (a) the aggregate principal amount established by resolution of the Board; and (b) parameters approved by the Board to service extendible rate debt payments. The maximum combined amount of CP and ECP maturing on any one day is $25,000,000 and the maximum combined amount of CP and ECP maturing in the same week is $50,000,000.

2. The Vice Chancellor for Finance shall be responsible for identifying funds held by the System for the purpose of providing self-liquidity in support of CP notes, the investment of such funds, and the administration and development of a policy with respect to the management of the self-liquidity program.

3. Short-term debt may be used to purchase equipment, to provide interim financing for capital projects (including land acquisition)
during construction, to pay for insurance costs, and to provide continued financing after construction has been completed.

4. The Vice Chancellor for Finance shall be responsible for monitoring the issuance of RFS commercial paper, including the rollover of outstanding CP and ECP notes and the payment of any extendible interest rate obligations with respect to ECP. All conversions of CP and ECP notes to long-term indebtedness shall be approved by the Board by adoption of a resolution authorizing the issuance of long-term indebtedness to refinance CP and ECP notes.

10.303 Use of Commercial Paper after Completion of Construction.

1. For projects that utilize CP or ECP as interim financing and are expected to be completed before or during the next fiscal year, Institutions shall budget for projected debt service expenses assuming that the CP or ECP shall be fixed into long-term bonds in the next fiscal year, at prevailing rates as provided by System Treasury staff. If CP or ECP issued to provide interim financing for a project is to remain outstanding beyond the fiscal year end that construction of the project is completed, the System Administration or Institution shall submit a written proposal and financing plan to the Vice Chancellor for Finance within a reasonable period of time, but no later than 90 days, prior to the expected date of completion of the project. Approval is required from the Vice Chancellor for Finance for CP or ECP to remain outstanding after construction of a project is completed. CP or ECP may remain outstanding for a period no greater than two years after the completion of a project, unless the Board, in its sole determination, permits CP or ECP to remain outstanding beyond the two year period.

2. Any fiscal year interest savings realized by financing a project after construction with CP or ECP, as compared to projected interest rate payments if the financing had been converted to fixed long-term bonds, shall be used to reduce the project’s outstanding CP or ECP principal balance unless otherwise approved by the Board or the Vice Chancellor for Finance.

10.304 Bond Approval. The Vice Chancellor for Finance has the authority to approve the pricing of bond and note issues. The Vice Chancellor for Finance is responsible for assuring compliance with all bond covenants and that all necessary approvals, certifications, and authorizations are fully documented and made available to the Board and to all bondholders.
10.305 **Debt Service.** The Vice Chancellor for Finance is responsible for assuring that all debt service payments are made in a timely manner to the appropriate paying agents. The President is responsible for debt service funding if an Institution is participating in the RFS program.

10.306 **Texas Higher Education Coordinating Board Approval.** The Vice Chancellor for Finance shall be responsible for maintaining a record of the approvals of projects by the Texas Higher Education Coordinating Board when applicable, that are financed or to be financed with the proceeds of debt, including approvals identifying the proposed funding sources and amounts authorized for approved projects.

10.307 **Reimbursement Certificates.** The Vice Chancellor for Finance is authorized and directed to execute Reimbursement Certificates, as required by U.S. Treasury Regulations § 1.150-2, in connection with projects the Board intends to debt finance.

10.308 **Financing of Capital Items with Commercial Paper.** Financing of any capital item through the use of RFS commercial paper must be approved by the Board. The Vice Chancellor for Finance shall be responsible for submitting any required notice to the Texas Bond Review Board.

10.309 **Compliance.** The System receives financial benefits from the Revenue Financing System and the issuance of tax-exempt RFS commercial paper and bonds to achieve the System’s tax-exempt purposes. The Board recognizes that legal obligations must be met to ensure good stewardship of this tax-exempt benefit. The System shall adopt appropriate regulation(s) and procedures related to tax-exempt RFS commercial paper and bond compliance, including issuance, expenditure of proceeds, and post-issuance compliance consistent with the Internal Revenue Code, Treasury Regulations, these Regents Rules, and bond documents.

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