

**Board of Governors
Bonding Decision Table**

CITE	ISSUE	IMPLICATIONS IF YES	IMPLICATIONS IF NO
	Should the BOG approve the issuance of all debt?	Provides a clear framework for authorizing the issuance of university debt which requires review and approval by BOG of the debt to be incurred and the facilities being financed. Provides greater oversight of bonding activity given there is no debt management policy for the SUS. Provides state level oversight while a debt management policy is developed. Increases BOG involvement in bonding decisions.	Allows universities to incur debt and build facilities without review or approval by the BOG. Allows UBOTs to make all decisions, without BOG oversight, with respect to incurring university debt.
Section 2(a), 3(a)	Should some revenue sources be prohibited from securing or paying revenue bonds?	Clarifies which revenue streams are legally available for financing capital outlay projects versus funding university operations. Provides some control on bonding ability of various university revenue sources. Allows BOG to decide whether revenues that do not have specific bonding authority should be used. Restricts bonding ability of universities.	Allows universities to use broader range of revenues for bonding, even those that have historically funded operations. Increases revenues available to secure or pay revenue bonds. All universities would have greater bonding ability. Would continue ambiguity regarding which revenues are statutorily authorized for securing or repaying debt.
	Should revenues only be used to secure or pay revenue bonds for functionally related projects/activities?	Promotes fiscal discipline by requiring that debt for facilities being financed be repaid with revenues generated from such facilities or services associated therewith. Restricts use of the revenues to activities and facilities related to the original purpose of the revenue source. Provides some control on bonding ability given there is no debt management policy in place for the SUS. May be more difficult for smaller universities and regional campuses to finance certain facilities. May restrict bonding ability of certain universities.	Allows universities to use broader range of revenues for bonding. Increases revenues available to secure or pay revenue bonds. All universities would have greater bonding ability. Allows revenues from one auxiliary enterprise to subsidize facilities that are wholly unrelated.

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	Should operating funds (E&G) be used to secure or pay revenue bonds?	Allows universities to encumber operating revenues over the long-term to pay debt service on bonds used to finance capital outlay projects. Reduces the amount of operating revenues otherwise available to fund university operations. Inconsistent with historical practice and may be inconsistent with current law. No debt management policy is in place to provide limits on use of operating funds to secure or pay revenue bonds. Increases revenues available to secure or pay revenue bonds. All universities would have greater bonding ability.	Enhances fiscal responsibility by not allowing operating revenues to be diverted for capital outlay projects. Allows time for the BOG to establish a debt management policy to guide the use of operating funds for securing and paying revenue bonds. Restricts the ability of the universities to incur debt secured by operating funds (E&G).
Section 3(a), 3(c)	Should gifts only be used to secure debt with a maturity of 5 years or less?	Limits debt secured by future gifts to 5 years or less. Allows universities to obtain construction loans based on expected gifts but not to finance facilities with long-term debt secured by future gifts.	Would allow universities to secure long-term debt (20-30 years) based on expected future donations.
Section 3(a)	In contracting to secure the debt of a DSO, should universities be limited to a source of payment that is a type authorized by statute for such purposes?	Universities would not be able to secure debt issued by its DSO through an agreement with the university with revenues the university itself could not use to secure debt. This prohibits a university from doing indirectly (through a DSO) that which it could not do directly. This would prohibit certain lease financing arrangements unless the university secures its lease payments with approved revenues.	Universities could finance facilities through a DSO secured by an agreement with the university with revenues the university is not authorized to pledge to secure debt. This would allow universities to incur debt indirectly (through a DSO) even though it is not authorized to do so directly. Appropriated funds intended for university operations could be used to secure long-term debt even though not approved for such purpose.

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Section 3(b)	BOG cannot approve a debt until it has been analyzed by the Division of Bond Finance and the BOG has “appropriately considered” such analysis.	Analysis by the Division of Bond Finance would provide the BOG with a technical review to be used as a basis for making its decisions. The BOG’s decision would not be bound by the review from the Division of Bond Finance. There are no time limits on when the Division of Bond Finance must provide its analysis to the BOG. A lengthy delay could jeopardize time-sensitive projects.	The review and analysis of proposed university and DSO financings would be performed by BOG staff who may not have the technical expertise and experience needed to appropriately analyze the proposed transaction.
Section 7(a) and 7(a)4	Should certain projects and the debt issued therefor have blanket approval by the legislature and others require specific legislative approval.	This would eliminate legislative authorization for certain types of facilities significantly reducing the time required for approval of certain projects and the financing thereof. Facilities that are not the type listed would require specific legislative authorization as required for all facilities under current law. The types of projects which may be financed without legislative authorization may be too restrictive.	DSOs could finance facilities for universities with certificates of participation (“COPs”) without legislative approval of the project or the financing. The financing structure utilizing DSOs and COPs would eliminate the required legislative approval. However, this would be inconsistent with the requirement included in proviso language in the current-year Appropriations Act requiring legislative approval of DSO projects and the financing thereof. Financings not using a DSO and COPs structure would continue to require specific legislative authorization as provided by law.