Improving How the System Finances Capital Projects

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November 11, 2026

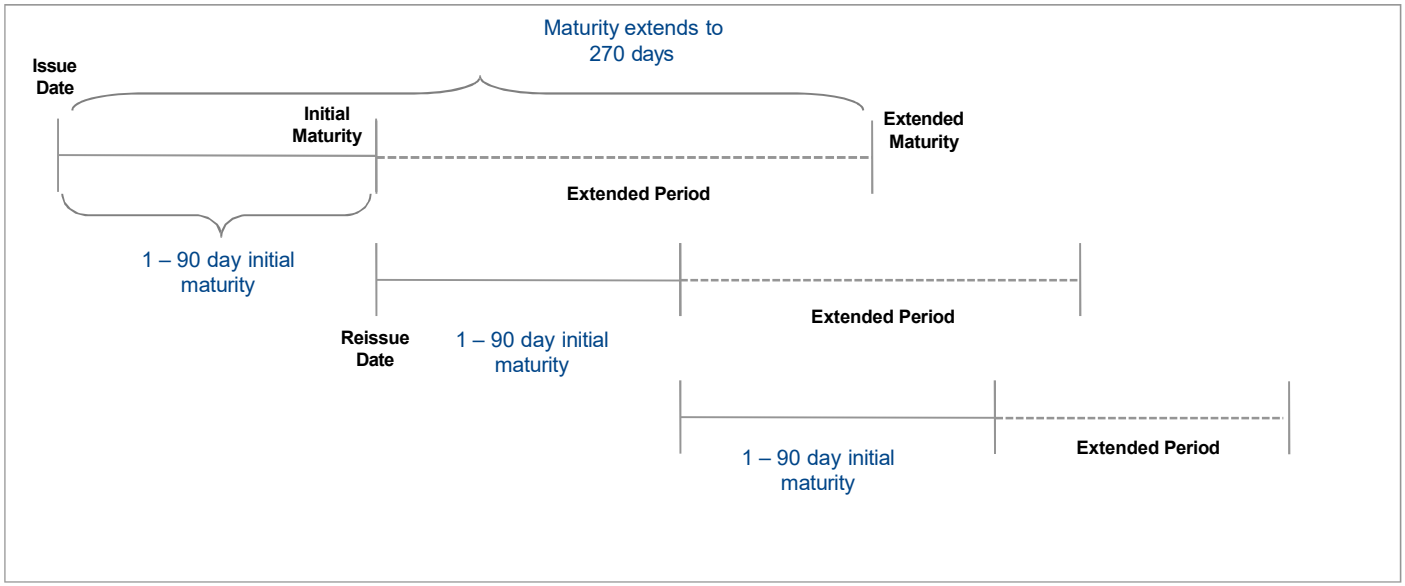
Texas Tech University System Commercial Paper (CP) Program

- Provides short term financing for approved projects and equipment
- Program established in 1997
- Current authorization is up to $150 million, proposing to increase to $300 million
- All major University Systems in Texas utilize a commercial paper program
- Term of issuance ranges from 1 day to 270 days
- TTUS provides the liquidity in the case of a failed re-marketing, thus labeled Self-Liquidity

Extended Commercial Paper (ECP) Program

- ECP is limited to an initial maturity of up to 90 days
- If the ECP cannot be remarketed on the initial maturity date (a failed re-marketing), the maturity date is extended to 270 days from the initial sale date ("Extended period")
  - Provides 6 - 9 months' notice of the need to refinance or pay off the paper
- Investors are compensated during the Extended Period through a preset formulaic interest rate

Extendible CP Structure – System Has the Right to Extend the Maturity Up to 270 Days



CP and ECP Programs in Texas University Systems

System	Authorized CP	Authorized ECP
University of Texas System RFS A&B	$2,500M	
University of Texas RFS C-1 and C-2	$500M	
University of Texas PUF	$1,250M	
Texas A&M University System RFS Program*	$500M	
Texas A&M University System PUF Program*	$300M	
Texas Tech University System (Proposed)	**$300M**	**$200M**
Texas State University System		$350M
University of North Texas System	$75M	$75M
University of Houston System	$125M	

* Texas A&M System is in the process of increasing RFS CP program to $1,000M and the PUF program to $750M

Projected Interim Financing Needs

The System plans to use ECP, along with the CP program, for cash flow management with the plan to ultimately refinance with long-term permanent financing

Existing Commercial Paper Program (millions)	**Revised Commercial Paper Program** (millions)
TTUS CP Capacity - $150 TTUS ECP Capacity - $0 Total CP Capacity - $150 Dealer – JP Morgan	TTUS CP Capacity - $300 TTUS ECP Capacity - $200 Total CP Capacity - $500 Dealers – SWS, JP Morgan, Morgan Stanley, Bank of America, Loop Capital

Time Period	**Annual Activity** (millions)	**Projected Cumulative CP Outstanding** (millions)
Current Outstanding CP	67	-
Net Change Thru December 2026	50	117
Net Change Calander Year 2027	380	497
Net Change Calander Year 2028	180	678

CP/ECP Authority

- First Amendment to the Fifth Supplemental Resolution: Authorize increase in the maximum of Taxable and Tax-Exempt Commercial Paper System of the Texas Tech University Revenue Financing System from $150 million to $300 million
- Twenty Second Supplemental Resolution: Authorize the creation of a Taxable and Tax-Exempt Extendable Commercial Paper program with maximum authority of $200 million

Looking Ahead

The Texas Tech University System and Components are evaluating the establishment of an Internal Bank to enhance the financing of System and Component Institution capital projects.

The objectives of the Internal Bank are to:

- Decouple System/Component financing from external debt issuance
- Lower the System's overall cost of capital
- Provide predictable and stable internal financing rates for long-term planning
- Build Internal Bank net assets to support future strategic investments

Several university systems have successfully implemented internal banks, including the University of Texas, the University of Missouri, the University of North Carolina, and the University of California.

Current discussions are focused on the Internal Bank's governance structure, lending rate methodology, and the level of initial capitalization required to ensure long-term financial sustainability.

We anticipate discussing this initiative further at the February Board of Regents meeting and seeking authorization to proceed with the creation of the Internal Bank.

Questions