

# THE BOND BUYER

## Lone Star College to expand degree programs, offer \$248M of bonds

By

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Lone Star College is coming to market with nearly \$250 million of bonds, a top credit rating and permission to expand its offering of baccalaureate degrees under a new state law.



*Cypress-Fairbanks campus of Lone Star College System. LSC*

“Building on the success of our three current bachelor’s degree programs, Lone Star College is ready to provide even more bachelor’s degrees for high-demand careers,” Chancellor Stephen Head said.

Texas Gov. Greg Abbott last week signed House Bill 3348 into law, allowing the community college system near Houston to add baccalaureate degree programs.

The bill allows community colleges to offer no more than five baccalaureate degree programs at any time. LSC has announced plans to submit a proposal to the Texas Higher Education Coordinating Board that would allow it to offer a Bachelor of Science in emergency management degree.

LSC currently offers three baccalaureate programs with a Bachelor of Science in nursing, Bachelor of Applied Technology in cybersecurity and Bachelor of Applied Science in energy, manufacturing and trades management, which began in 2019.

The college system has not announced its fifth program. Texas is one of 24 states that allow community colleges to offer baccalaureate degrees.

LSC must also get program approval from its accreditation agency, the Commission on Colleges of the Southern Association of Colleges and Schools.

The system is coming to market this week with \$248 million of bonds, including \$177 million of new-money general obligation bonds for campus construction. The new money and a \$64 million taxable refunding deal will price through negotiation with Morgan Stanley.

Jefferies is senior manager on another \$37 million of refunding bonds.

RBC Capital Markets is financial advisor on the deal.

S&P Global Ratings affirmed its triple-A rating on the system with a stable outlook.

“While many community colleges saw material enrollment declines in fall 2020, the district experienced a moderate dip and expects stable-to-moderate growth because of the solid demand from both its traditional transfer and workforce-development programs,” S&P analyst Brian Marshall wrote.

“So far, based on our management discussions, there has been no material impact on the district's finances and economic base due to the COVID-19 pandemic as officials plan to phase in in-person instruction while offering online options for students in fall 2021.”

After this issue LSC will have about \$704 million of general obligation debt.

The bonds are supported by a district property tax.

The system's tax rate is capped at 80 cents per \$100 of assessed value, with no more than 50 cents allowed for debt service and the remaining 30 cents for operations.

LSC's tax rate is currently just 10.78 cents, with 8 cents allocated for maintenance and operations and 2.78 cents for debt service for fiscal 2021.

Officials will use the series 2021 bond proceeds to construct and equip instructional buildings and purchase new sites across the district's service area, refund a portion of the district's existing debt for savings, and pay the costs for issuance.

Headquartered in Montgomery County, LSC enrolls nearly 100,000 students on seven campuses in north Houston and its suburbs.

District voters approved \$485 million of bonds in 2014.

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