

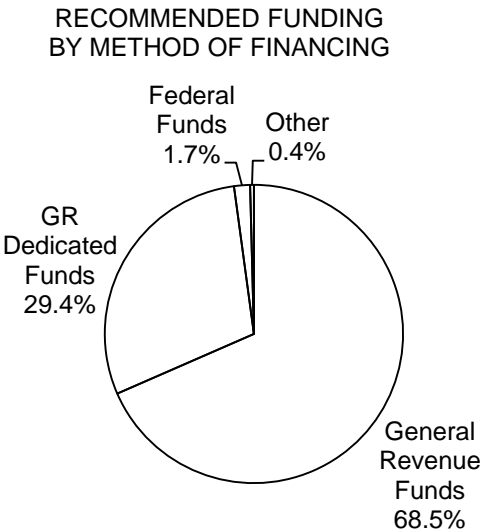
Section 1

Texas Public Finance Authority - General Obligation (GO) Bond Debt Service  
Summary of Recommendations - Senate

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Lee Deviney, Executive Director

Lara Bell, LBB Analyst

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$515,006,581	\$454,861,116	(\$60,145,465)	(11.7%)
GR Dedicated Funds	\$147,343,718	\$195,413,050	\$48,069,332	32.6%
Total GR-Related Funds	\$662,350,299	\$650,274,166	(\$12,076,133)	(1.8%)
Federal Funds	\$11,749,083	\$11,505,772	(\$243,311)	(2.1%)
Other	\$5,525,689	\$2,723,731	(\$2,801,958)	(50.7%)
All Funds	\$679,625,071	\$664,503,669	(\$15,121,402)	(2.2%)

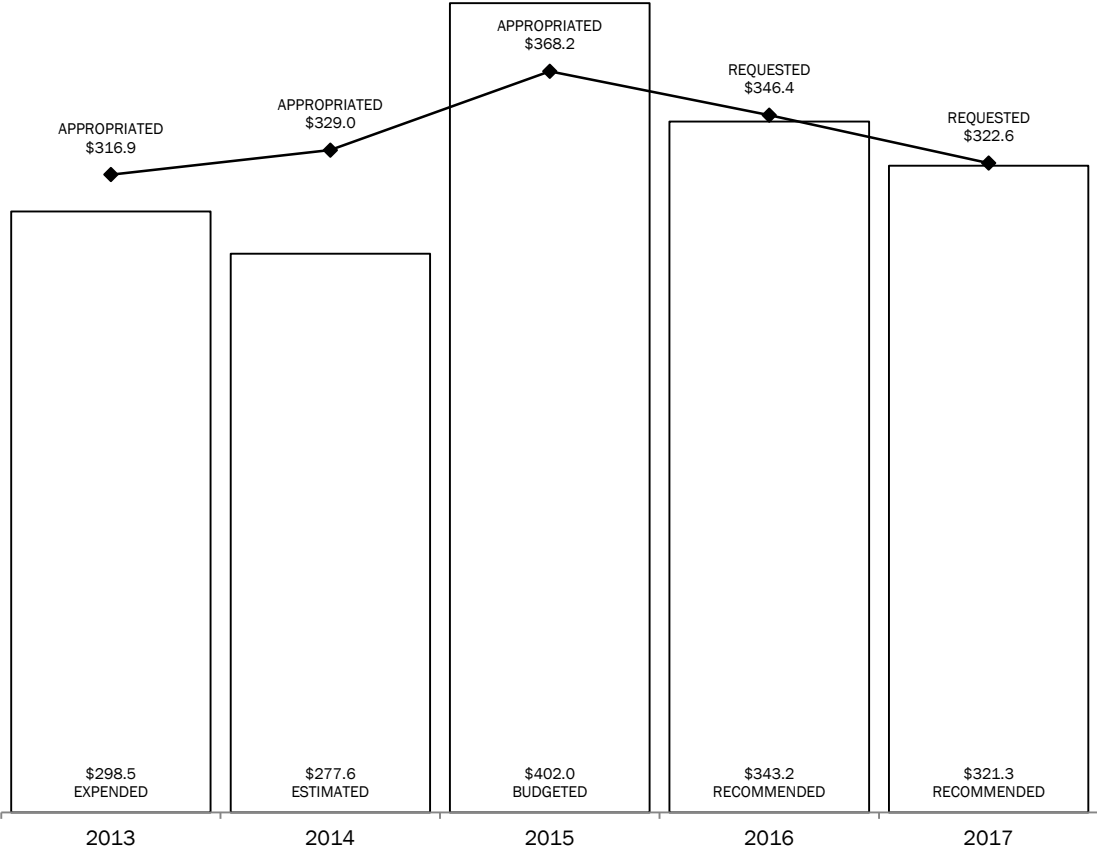


The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

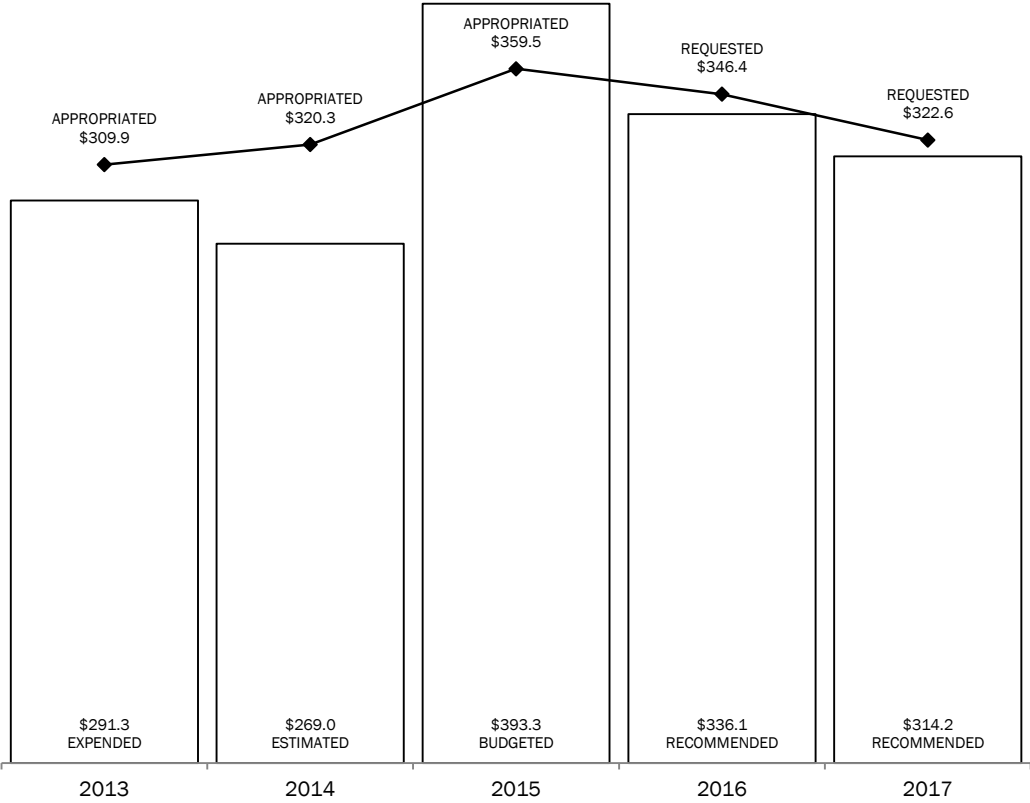
Section 1  
Texas Public Finance Authority - General Obligation (GO) Bond Debt Service  
2016-2017 BIENNIUM  
IN MILLIONS

TOTAL= \$664.5 MILLION

ALL FUNDS



GENERAL REVENUE AND  
GENERAL REVENUE-DEDICATED FUNDS



Section 2

Texas Public Finance Authority - General Obligation (GO) Bond Debt Service  
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
BOND DEBT SERVICE A.1.1	\$679,625,071	\$664,503,669	(\$15,121,402)	(2.2%)	
Total, Goal A, FINANCE CAPITAL PROJECTS	\$679,625,071	\$664,503,669	(\$15,121,402)	(2.2%)	
Grand Total, All Strategies	\$679,625,071	\$664,503,669	(\$15,121,402)	(2.2%)	Recommendations provide for debt service on existing debt, general obligation bonds expected to be issued in fiscal years 2015, 2016, and 2017, and new general obligation bonds recommended for the Cancer Prevention and Research Institute of Texas for agency operations and cancer related grants.

Section 2

Texas Public Finance Authority - General Obligation (GO) Bond Debt Service  
Summary of Recommendations - Senate, By Method of Finance -- GENERAL REVENUE FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
BOND DEBT SERVICE A.1.1	\$515,006,581	\$454,861,116	(\$60,145,465)	(11.7%)	
Total, Goal A, FINANCE CAPITAL PROJECTS	\$515,006,581	\$454,861,116	(\$60,145,465)	(11.7%)	
Grand Total, All Strategies	\$515,006,581	\$454,861,116	(\$60,145,465)	(11.7%)	Recommendations include a decrease of \$100.9 million in General Revenue due to TPFA paying off existing debt in fiscal year 2015 that was issued prior to fiscal year 2003 for various capital projects for Parks and Wildlife Department, Texas Facilities Commission, Department of Health Services, State Preservation Board, and Department of Criminal Justice.  Recommendations reflect a decrease of \$10.8 million in General Revenue primarily related to issuing long-term debt to replace outstanding commercial paper.  Recommendations include an increase of approximately \$51.6 million primarily due to staggered debt service for debt issued in fiscal year 2015.

Section 2

Texas Public Finance Authority - General Obligation (GO) Bond Debt Service  
Summary of Recommendations - Senate, By Method of Finance -- GR DEDICATED

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
BOND DEBT SERVICE A.1.1	\$147,343,718	\$195,413,050	\$48,069,332	32.6%	
Total, Goal A, FINANCE CAPITAL PROJECTS	\$147,343,718	\$195,413,050	\$48,069,332	32.6%	
Grand Total, All Strategies	\$147,343,718	\$195,413,050	\$48,069,332	32.6%	Recommendations reflect an increase of approximately \$53.6 million in certain GR-D accounts related to the Cancer Prevention and Research Institute of Texas (CPRIT) for debt service for existing debt and debt expected to be issued (see Selected Fiscal and Policy Issues #1).  Recommendations also include an increase of \$7.3 million in debt service for \$600 million in new general obligation bond proceeds for CPRIT recommended for the 2016-17 biennium.  Recommendations reflect a decrease of \$0.4 million in GR - Dedicated - Texas Military Revolving Loan Account No. 5114 for debt service requirements for \$49.5 million in outstanding bond proceeds issued in fiscal year 2007 for loans to defense communities for economic development projects.  Recommendations also include a decrease of \$12.4 million in GR - Dedicated - Texas Military Revolving Loan Account No. 5114 related to the expected issuance of approximately \$200.4 million in remaining general obligation bond authority for the Texas Military Value Revolving Loan program during the 2014-15 biennium. These bonds are not expected to be issued during the 2014-15 or 2016-17 biennium.

Section 2

Texas Public Finance Authority - General Obligation (GO) Bond Debt Service  
Summary of Recommendations - Senate, By Method of Finance -- FEDERAL FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
BOND DEBT SERVICE A.1.1	\$11,749,083	\$11,505,772	(\$243,311)	(2.1%)	
Total, Goal A, FINANCE CAPITAL PROJECTS	\$11,749,083	\$11,505,772	(\$243,311)	(2.1%)	
Grand Total, All Strategies	\$11,749,083	\$11,505,772	(\$243,311)	(2.1%)	Recommendations reflects a decrease in Federal Funds primarily related to the sequestration provision of the Federal Budget Control Act, which reduced the amount of the subsidy by 7.3 percent in FY 2015. The debt service subsidy is for the issuance of approximately \$181.6 million in general obligation Build America Bonds for various construction projects in 2009.  Recommendations assume continuation of the federal debt service subsidy at fiscal year 2015 spending levels for the 2016-17 biennium.

Section 2

Texas Public Finance Authority - General Obligation (GO) Bond Debt Service  
Summary of Recommendations - Senate, By Method of Finance -- OTHER FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
BOND DEBT SERVICE A.1.1	\$5,525,689	\$2,723,731	(\$2,801,958)	(50.7%)	
Total, Goal A, FINANCE CAPITAL PROJECTS	\$5,525,689	\$2,723,731	(\$2,801,958)	(50.7%)	
Grand Total, All Strategies	\$5,525,689	\$2,723,731	(\$2,801,958)	(50.7%)	Recommendations include a decrease of \$2.8 million for debt service primarily related to projected revenue collections of Fund 8033 - MH Appropriated Receipts (\$2.6 million) for debt issued for the Department of State Health Services. Revenue from third party reimbursements for state hospital civil patients is expected to decline.  Recommendations include an additional decrease in the Current Fund Balance (\$0.2 million) for Texas Parks and Wildlife Department.

End of Article: Appropriations Compared to Base by Article / MOF Type and Code  
84th Regular Session, LBB Recommended (Senate), Version 1

BENEFITS: TPFA GO Bond Debt Service

		Exp 2013	Est 2014	Bud 2015	Total Biennium 2014-2015	Rec 2016	Rec 2017	Total Rec 2016-2017	Difference
ARTICLE I - GENERAL GOVERNMENT		\$74,981,091	\$58,061,417	\$151,338,147	\$209,399,564	\$121,785,772	\$151,268,970	\$273,054,742	\$63,655,178
ARTICLE II - HEALTH AND HUMAN SERVICES		\$28,977,937	\$24,229,980	\$31,433,824	\$55,663,804	\$31,892,914	\$30,000,475	\$61,893,389	\$6,229,585
ARTICLE III - AGENCIES OF EDUCATION		\$8,073,392	\$10,429,496	\$12,262,084	\$22,691,580	\$11,813,330	\$11,281,569	\$23,094,899	\$403,319
ARTICLE V - PUBLIC SAFETY AND CRIMINAL JUSTICE		\$162,870,942	\$162,016,784	\$171,737,982	\$333,754,766	\$142,718,205	\$94,625,175	\$237,343,380	\$(96,411,386)
ARTICLE VI - NATURAL RESOURCES		\$10,804,753	\$10,969,705	\$19,314,792	\$30,284,497	\$19,205,614	\$18,903,819	\$38,109,433	\$7,824,936
ARTICLE VII - BUSINESS AND ECONOMIC DEVELOPMENT		\$12,795,569	\$11,914,948	\$15,915,912	\$27,830,860	\$15,797,519	\$15,210,307	\$31,007,826	\$3,176,966
Total		\$298,503,684	\$277,622,330	\$402,002,741	\$679,625,071	\$343,213,354	\$321,290,315	\$664,503,669	\$(15,121,402)
METHOD OF FINANCING:									
General Revenue Funds									
1	General Revenue Fund	\$235,253,120	\$229,082,146	\$274,743,600	\$503,825,746	\$253,828,903	\$201,032,213	\$454,861,116	\$(48,964,630)
400	Sporting Good Tax-State	\$3,676,406	\$5,542,790	\$5,638,045	\$11,180,835	\$0	\$0	\$0	\$(11,180,835)
Subtotal, General Revenue Funds		\$238,929,526	\$234,624,936	\$280,381,645	\$515,006,581	\$253,828,903	\$201,032,213	\$454,861,116	\$(60,145,465)
Gr Dedicated									
5044	Tobacco Education/Enforce	\$24,339,544	\$15,459,692	\$48,711,443	\$64,171,135	\$39,616,694	\$55,053,189	\$94,669,883	\$30,498,748
5045	Children & Public Health	\$12,169,772	\$7,729,846	\$24,355,722	\$32,085,568	\$19,808,348	\$27,526,593	\$47,334,941	\$15,249,373
5046	Ems & Trauma Care Account	\$12,169,772	\$7,729,846	\$24,355,720	\$32,085,566	\$19,808,346	\$27,526,595	\$47,334,941	\$15,249,375
5114	Tx Military Revolving Loan Account	\$3,718,473	\$3,502,213	\$15,499,236	\$19,001,449	\$3,036,249	\$3,037,036	\$6,073,285	\$(12,928,164)
Subtotal, Gr Dedicated		\$52,397,561	\$34,421,597	\$112,922,121	\$147,343,718	\$82,269,637	\$113,143,413	\$195,413,050	\$48,069,332
Federal Funds									
369	Fed Recovery & Reinvestment Fund	\$3,658,826	\$3,367,949	\$3,658,826	\$7,026,775	\$0	\$0	\$0	\$(7,026,775)
555	Federal Funds	\$2,361,154	\$2,361,154	\$2,361,154	\$4,722,308	\$5,752,886	\$5,752,886	\$11,505,772	\$6,783,464
Subtotal, Federal Funds		\$6,019,980	\$5,729,103	\$6,019,980	\$11,749,083	\$5,752,886	\$5,752,886	\$11,505,772	\$(243,311)
Other Funds									
766	Current Fund Balance	\$891,655	\$899,102	\$731,403	\$1,630,505	\$738,125	\$738,000	\$1,476,125	\$(154,380)
8031	MH Collect-Pat Supp & Maint	\$112,122	\$470,963	\$470,963	\$941,926	\$470,963	\$470,963	\$941,926	\$0



		Exp 2013	Est 2014	Bud 2015	Total Biennium 2014-2015	Rec 2016	Rec 2017	Total Rec 2016-2017	Difference
8033	MH Appropriated Receipts	\$15,828	\$1,339,617	\$1,339,617	\$2,679,234	\$15,828	\$15,828	\$31,656	\$(2,647,578)
8095	ID Collect-Pat Supp & Maint	\$120,063	\$120,063	\$120,063	\$240,126	\$120,063	\$120,063	\$240,126	\$0
8096	ID Appropriated Receipts	\$16,949	\$16,949	\$16,949	\$33,898	\$16,949	\$16,949	\$33,898	\$0
	Subtotal, Other Funds	\$1,156,617	\$2,846,694	\$2,678,995	\$5,525,689	\$1,361,928	\$1,361,803	\$2,723,731	\$(2,801,958)
<b>Total, Method of Financing</b>		<b>\$298,503,684</b>	<b>\$277,622,330</b>	<b>\$402,002,741</b>	<b>\$679,625,071</b>	<b>\$343,213,354</b>	<b>\$321,290,315</b>	<b>\$664,503,669</b>	<b>\$(15,121,402)</b>

## Section 3

### **Texas Public Finance Authority – General Obligation Bond Debt Service Selected Fiscal and Policy Issues – Senate**

1. **Recommendations for 2016-17 TPFA General Obligation Bond Debt Service.** Recommendations reflect an overall decrease of \$22.6 million in debt service requirements for the 2016-17 biennium. The decrease in debt service is primarily related to paying off outstanding debt, project delays at client agencies leading to delays in issuances, and lower than projected interest rates.

Recommendations include payment of principal and interest, and ongoing issuance costs in each fiscal year for General Obligation (GO) bonds issued and GO bonds anticipated to be issued through fiscal year 2017.

Amounts included in the recommendations are subject to change due to possible interest rate fluctuations for variable rate commercial paper and future issuances of fixed rate general obligation bonds. Interest rates used for debt service estimates are as follows:

- 6.0 percent in fiscal year 2016 and fiscal year 2017 for fixed rate GO bonds; and
- 5.0 percent in each fiscal year of the 2016-17 biennium for fixed rate tax-exempt GO Commercial Paper.

During fiscal year 2014, market conditions have provided a less than 0.2 percent interest rate for the issuance of GO commercial paper. However, due to the volatility of the bond market, interest rates are assumed at 5.0 percent for GO commercial paper as noted above.

TPFA requested approximately \$651.2 million in General Revenue for debt service on outstanding GO Bond debt and debt expected to be issued. LBB Recommendations include \$454.9 million in General Revenue for debt service, a difference of \$196.3 million. LBB recommendations include the following appropriations out of funds other than General Revenue to meet debt service requirements in the 2016-17 biennium:

- \$182.1 million in balances out of certain Tobacco Settlement Funds for issued and anticipated to be issued CPRIT debt service;
- \$6.8 million in Federal Funds for federal subsidies related to Build America Bonds across all articles;
- \$4.7 million out of Federal Funds available for the Department of Aging and Disability Service, and Department of State Health Services debt service; and
- \$1.2 million in receipts generated from Other Funds for the Department of Aging and Disability Service, and Department of State Health Services debt service.

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Recommendations do not include \$11.7 million in GR – Dedicated – Texas Military Revolving Loan Account No. 5114 related to issuance of \$123.1 million in general obligation bond authority for the Texas Military Revolving Loan program, which are not expected to be issued during the 2014-15 or 2016-17 biennia. Recommendations include \$6.1 million out of GR- D Account No. 5114 for debt service requirements for \$49.5 million in outstanding bond proceeds issued in fiscal year 2007 for loans to defense communities for economic development projects. Recommendations also continue the estimated appropriation out of GR – D Account No. 5114 for approximately \$200.4 million in general obligation bond authority.

Recommendations include \$7.3 million out of certain Tobacco Settlement Funds for debt service related to \$600.0 million in general obligation bond proceeds recommended for CPRIT for the 2016-17 in Senate Bill 2, Eighty-fourth Legislature, Regular Session, 2015, Introduced.

*Tobacco Settlement Funds.*  
Government Code Chapter 403, Sections 105, 1055, and 106 allow certain Tobacco Settlement Funds to pay principal or interest for bonds issued for CPRIT. The appropriated amounts are transferred from three funds outside the treasury on an as needed basis. Current recommendations for 2016-17 biennium include \$189.3 million in debt service for existing, expected to be issued, and new debt obligations related to CPRIT. Legislative Budget Board staff estimates that sufficient funds from the Tobacco Settlement Funds are available to support the recommendations. However, estimates indicate that the projected remaining balance at the end of fiscal year 2017 for the combined funds is estimated to be approximately \$44.4 million and would not be sufficient to pay CPRIT debt service beyond the 2016-17 biennium. The legislature would need to consider appropriating General Revenue, or other methods of finance, to pay the debt service on existing CPRIT debt as well as any new appropriations that occur after the 2016-17 biennium.

Tobacco Settlement Funds Debt Service

	Debt Service on Issued and Expected to be Issued		Debt Service on New Bonds		Total		Total Biennium
	2016	2017	2016	2017	2016	2017	
GR-Dedicated Fund							
Permanent Fund for Health and Tobacco Education and Enforcement No. 5044	\$39,038,549	\$52,001,946	\$578,145	\$ 3,051,243	\$39,616,694	\$55,053,189	<b>\$94,669,883</b>
Permanent Fund for Children and Public Health No. 5045	\$19,519,275	\$26,000,972	\$289,073	\$1,525,621	\$19,808,348	\$27,526,593	<b>\$47,334,941</b>
Permanent Fund for Emergency Medical Services and Trauma Care No. 5046	\$19,519,274	\$26,000,974	\$289,072	\$1,525,621	\$19,808,346	\$27,526,595	<b>\$47,334,941</b>
<b>Total</b>	<b>\$78,077,098</b>	<b>\$104,003,892</b>	<b>\$1,156,290</b>	<b>\$6,102,485</b>	<b>\$79,233,388</b>	<b>\$110,106,377</b>	<b>\$189,339,765</b>

Source: Legislative Budget Board

## Section 3

2. **Park Related Debt Service.** Senate Bill 2, Introduced includes Rider 36, Use of the Sporting Goods Sales Tax Transfer to the General Revenue-Dedicated State Parks Account No. 64 in the bill pattern of Texas Parks and Wildlife Department (TPWD) related to debt service for parks projects funded out of GO bond proceeds. Currently, General Revenue and General Revenue 400-Sporting Goods Sales Tax – Transfer to State Parks Account No. 64 (General Revenue-400) are appropriated to TPFA for debt service payments on GO Bonds appropriated to TPWD. General Revenue-400 is only available to pay debt service on state park projects funded with bond proceeds. Due to the way TPFA issues debt and the significant number of project substitutions at TPWD, TPFA has experienced difficulty tracking parks-related projects to ensure General Revenue 400 is used only to pay debt service on these projects. To ensure compliance with statute, TPFA underestimates debt service that could be paid out of GR-400, using a larger allocation of General Revenue to pay TPWD debt service. In order to maximize the use of General Revenue-400, recommendations include the following:
  - a) \$26.6 million in General Revenue for debt service related to TPWD debt; and
  - b) a new rider in TPWD's bill pattern to require TPWD to work with TPFA to determine the actual debt service costs related to state parks projects to reimburse General Revenue with General Revenue-400.
3. **Outstanding General Obligation Bond Debt.** As of August 31, 2014, TPFA had approximately \$2,153.5 million in outstanding general obligation bond debt, including \$2,131.0 million in outstanding general obligation bond debt or long-term fixed rate debt and \$22.5 million in general obligation commercial paper or short-term debt. TPFA is the largest state issuer of general obligation debt which is backed by the full faith and credit of the state. TPFA utilizes both long-term and short-term debt instruments for the issuance of debt on behalf of its client agencies. Long-term debt instruments provide for fixed or variable rate debt for five or more years. Short-term or commercial paper debt instruments provide for variable rate debt for 1 to 270 days. In the summer of 2014, TPFA fixed out the majority of issued commercial paper variable debt into long-term fixed rate debt.
4. **Capital Needs and Impact of Additional GO Bonds Authorizations.** In 2007, the 80<sup>th</sup> Legislature authorized \$1.0 billion in General Obligation Bonds that voters approved in Proposition 4 in November 2007. The Prop 4 bond authority has been exhausted with the final authorizations of \$146.2 million appropriated in the 2014-15 biennium. If the Legislature were to pass a bill authorizing additional general obligation bonds and voters approved it, the new authorization would have an impact on the Constitutional Debt Limit (CDL). As a reminder, Article III, Section 49(j) of the Texas Constitution limits the authorization of additional state debt if in any fiscal year the resulting annual debt service payable from the unrestricted General Revenue Fund – excluding revenues constitutionally dedicated for purposes other than state debt payment – exceeds 5 percent of the average annual unrestricted General Revenue Funds for the previous three years.

For the end of fiscal year 2014, the Bond Review Board reported that the issued debt was 1.20 percent, and the issued, and authorized but unissued debt was reported at 2.71 percent. This reflects a 10.9 percent decrease from 3.04 percent for fiscal year 2013.

Section 3

Agencies that were authorized to receive General Obligations bond proceeds out of Prop 4 (2007) authorizations have requested approximately \$1,588.3 million for various projects that would have aligned with the use of those authorizations in the 2016-17 biennium. Agencies requested various Methods of Finance including General Revenue for projects that were funded with GO bond proceeds in prior biennia. Agencies that requested GO Bonds as the funding source for their capital needs included the related debt service requirements. The agencies' requests are summarized in the table below.

Capital Needs Requests by Method of Finance for the 2016-17 Biennium\*

Agency	General Revenue-Related	Other Methods of Finance	GO Bonds	Related Debt Service (in GR)	Total Requested (including estimated D/S requirement)
Texas Facilities Commission	\$26,211,400	\$ -	\$906,115,580	\$54,366,937	\$986,693,917
Historical Commission	\$48,075,000	\$ -	\$ -	\$ -	\$48,075,000
State Preservation Board	\$4,400,000	\$ -	\$ -	\$ -	\$4,400,000
Department of Aging and Disability Services	\$ -	\$ -	\$93,987,728	\$6,198,284	\$100,186,012
Department of State Health Services	\$ -	\$ -	\$88,595,240	\$5,950,356	\$94,545,596
Texas Military Department	\$2,400,000	\$31,187,500**	\$48,912,500	\$2,610,625	\$85,110,625
Texas Department of Criminal Justice	\$60,000,000	\$ -	\$ -	\$ -	\$60,000,000
Texas Juvenile Justice Department	\$8,033,141	\$ -	\$8,900,000	\$890,036	\$17,823,177
Department of Public Safety	\$1,775,000	23,379,001***	\$50,237,811	\$6,587,978	\$81,979,790
Texas Parks and Wildlife Department	\$109,456,000	\$ -	\$ -	\$ -	\$109,456,000
Total	\$260,350,541	\$54,566,501	\$1,196,748,859	\$76,604,216	\$1,588,270,117

Source: Legislative Budget Board  
\*Requests shown are those included in the Legislative Appropriations Requests, which may be subsequently revised by agencies.  
\*\* Texas Military Department's request includes approximately \$31.2 million that would be provided through federally matched funds.  
\*\*\* Department of Public Safety's request includes approximately \$14.9 million in capital needs projects funded with State Highway Fund 6.

If all capital needs listed above were funded with GO Bonds, the incremental impact on the CDL would be 0.31 percent for a projected total CDL of 3.02 percent. For your reference, the chart on the next page provides estimates on the impact of certain authorization amounts on the constitutional debt limit.

Section 3

Legislative Budget Board Estimate of CDL Impact for Various GO Bond Authorizations

Authorization	Incremental Impact	CDL Impact
\$500 million	0.10 percent	2.81 percent
\$1 billion	0.19 percent	2.90 percent
\$2 billion	0.39 percent	3.10 percent
2016-17 Capital Needs Requests of \$1,588,270,117	0.31 percent	3.02 percent

Source: Legislative Budget Board

Section 4

TPFA - General Obligation Bonds  
Performance Review and Policy Report Highlights - Senate

Reports & Recommendations	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

Section 6

TPFA - GO Bond Debt Service Payments  
Items not Included in the Recommendations- Senate

	2016-17 Biennial Total	
	GR & GR-Dedicated	All Funds
Agency Exceptional Items - In Agency Priority Order		
None		
Total, Items Not Included in the Recommendations	\$ -	\$ -



Section 7

TPFA - GO Bond Debt Service Payments  
Summary of 10 Percent Biennial Base Reduction Options - Senate

Biennial Reduction Amounts								
Priority	Item	Description/Impact	GR and GR-Dedicated	All Funds	FTEs	Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
TOTAL, 10% Reduction Options			\$0	\$0		\$0		

General Obligation Debt Service Payments are not subject to the 10% biennial base reduction exercise.