

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**May 24, 2003**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Infrastructure Development and Security

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB471** by Pickett (Relating to the borrowing of money and the issuance of notes and bonds and other public securities secured by the state highway fund by the Texas Transportation Commission; making an appropriation.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB471, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2005.

**Appropriations:**

<b>Fiscal Year</b>	<b>Appropriation out of New Highway Tax and Revenue Anticipation Notes Fund</b>
2004	\$476,000,000
2005	\$0

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from STATE HIGHWAY FUND 6</b>	<b>Probable Savings/(Cost) from STATE HIGHWAY FUND 6</b>
2004	\$1,005,166,000	(\$1,093,755,366)
2005	\$1,005,166,000	(\$1,192,856,706)
2006	\$1,005,166,000	(\$1,291,955,450)
2007	\$1,005,166,000	(\$1,391,051,250)
2008	\$1,005,166,000	(\$1,490,153,389)

**Fiscal Analysis**

Section 1 of the bill is contingent on the passage and voter approval of House Joint Resolution (HJR) 28, or similar legislation, which would amend the Transportation Code to allow the Texas Transportation Commission (TTC) to authorize the Texas Department of Transportation (TxDOT) to borrow money from the State Treasury or any other source to carry out the functions of the agency.

The bill would also authorize the creation of the Highway Tax and Revenue Anticipation Note Fund in the State Treasury to receive the proceeds of the notes authorized by this bill. The bill would authorize the Comptroller's Office to assist TTC with the issuance of notes and would authorize TxDOT to transfer cash in State Highway Fund to the Highway Tax and Revenue Anticipation Note Fund to ensure timely payment of the notes. The bill would implement recommendation 2.4B in a January 2001 report by the Comptroller of Public Accounts' Office, *Paving the Way: A Performance Review of the Texas Department of Transportation*.

The bill would establish guidelines and restrictions regarding loans, agreements, notes, and contracts made by TxDOT under the provisions of the bill. The bill would limit the term of a loan to a maximum of two years; require that amount of a loan would be restricted to the average monthly revenue deposited to the State Highway Fund for the 12 months preceding the month of the loan; require that a loan could not create a general obligation of the state; allow a loan to be payable from the State Treasury as authorized by legislative appropriation; and allow money in the State Highway Fund to be used for loan repayments if appropriated by the Legislature for that purpose.

Section 3 of the bill is also contingent on the passage and voter approval of HJR 28, or similar legislation, to issue bonds and other public securities and enter into bond enhancement agreements payable from revenues deposited to the credit of the State Highway Fund. The bill would limit the total amount of bonds and other public securities to \$10 billion with the aggregate principal amount could being no more than \$1 billion per year; provide guidance, restrictions, and limitations for the expenditure of the proceeds; require that bonds, other public securities, and bond enhancement agreements may not have a principal amount, or terms, at the time of issuance that would cause annual obligation expenditures in excess of 10 percent of the amount deposited to the credit of the State Highway Fund in the year prior to the issuance; and that obligations may not mature later than 20 years after the date of issuance, subject to any refunding or renewals. The bill would also require the Comptroller to withdraw and forward from the State Highway Fund to the TTC, or another person at the direction of the TTC, funds for the payment of principal, interest, and other bond and bond enhancement agreement related costs.

Section 4 of the bill would appropriate to TxDOT all money deposited to the credit of a newly created Highway Tax and Revenue Anticipation Notes (HTRAN) Fund and any money in the State Highway Fund necessary to pay the difference on principal, premium or interest, costs of issuance relating to the notes, or rebates to the federal government for any amounts should insufficient funds be available in the HTRAN fund.

Section 1 and 3 of the bill would take effect on the date on which the constitutional amendment, HJR 28, proposed by the 78th Legislature, Regular Session 2003, would take effect. If that amendment does not receive approval by the voters, these sections of the bill would have no effect.

Sections 2 and 4 of the bill would take effect September 1, 2003.

## **Methodology**

Costs related to the issuance of bonds with debt service payments from the State Highway Fund are contingent on the passage and voter approval of HJR 28, or similar legislation, and would require debt service costs estimated on the assumption there would be a bond issuance of \$1 billion of project costs each year for the next 10 years beginning on September 1, 2003, at an interest rate of 1.11 percent; that the total revenues available in the State Highway Fund during each year would exceed \$5.9 billion; that debt service for the issuance would be for a 20 year period; that the interest rate would increase to 2.6 percent in FY 2005; that repayments would be financed through the State Highway Fund; and that the amount of the bond issue would be reduced by the estimated interest earned on the balance of bond proceeds each year. It is assumed issuance and underwriting costs would be added to the bond issuance and that State Highway Fund costs would be realized in the amounts of approximately \$1.0 billion in fiscal year 2004; \$1.2 billion in fiscal year 2005; \$1.3 billion in fiscal year 2006; \$1.4 billion in fiscal year 2007; and \$1.5 billion in fiscal year 2008.

Under the provisions of the bill, the maximum amount that could be borrowed at any one time would be approximately \$476 million. If amounts are loaned from the General Revenue Fund, there could be

a reduction in the amount of General Revenue available for appropriation. For the purpose of this analysis, it is assumed that amounts sufficient to cover all necessary payments from the HTRAN fund would be available within that fund and that all of those amounts would be appropriated in fiscal year 2004.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 601 Department of Transportation

**LBB Staff:** JK, JO, RR, RT, MW