

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

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

**May 12, 2003**

**TO:** Honorable Florence Shapiro, Chair, Senate Committee on Education

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

**IN RE: HB1912** by Wolens (Relating to authorizing the issuance of revenue bonds for The University of Texas Southwestern Medical Center at Dallas to finance biomedical research facilities and exempting the facilities financed by the bonds from prior approval by the Texas Higher Education Coordinating Board.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1912, As Engrossed: a negative impact of (\$4,494,000) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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

| Fiscal Year | Probable Net Positive/(Negative)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2004        | \$0  |
| 2005        | (\$4,494,000)  |
| 2006        | (\$4,494,000)  |
| 2007        | (\$4,494,000)  |
| 2008        | (\$4,494,000)  |

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

| Fiscal Year | Probable (Cost) from<br>GENERAL REVENUE FUND<br>1 |
|-------------|---|
| 2004        | \$0   |
| 2005        | (\$4,494,000)                                     |
| 2006        | (\$4,494,000)                                     |
| 2007        | (\$4,494,000)                                     |
| 2008        | (\$4,494,000)                                     |

**Fiscal Analysis**

The engrossed bill would authorize the issuance of a maximum of \$56 million revenue bonds for The University of Texas Southwestern Medical Center at Dallas for facilities and infrastructure to be used primarily to conduct biomedical research. Additionally, the bill stipulates that the board of regents of The University of Texas System may not be issue these bonds at a time that would require debt service on the bonds before September 1, 2004. The bonds would be payable from pledged revenue, including student tuition. These bonds would not be general obligation to the State. However, the issuance of these bonds would have fiscal implications for the State. Although tuition income is pledged against the bonds, historically the Legislature has appropriated General Revenue to reimburse institutions of higher education for tuition to pay the debt service. It is assumed that the Legislature

would continue this policy.

**Methodology**

The University of Texas System Administration assumed the bonds would be issued during fiscal year 2005 at a 5.00 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by The University of Texas System Administration, debt service payments (principal and interest) would be \$4,494,000 for fiscal year 2005. (If debt service payments were for interest only, the estimated costs would be \$2,240,000 in fiscal year 2005.)

No amounts are included for operations and maintenance costs related to additional facilities. Operations and maintenance costs are provided to institutions of higher education based on predicted square feet not actual square feet. However, if the increased space resulted in an increase in predicted square feet, operations and maintenance cost would increase.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 347 Public Finance Authority, 352 Bond Review Board, 720 The University of Texas System Administration, 781 Higher Education Coordinating Board

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