

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 19, 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 certain research facilities of component institutions of The University of Texas System and exempting the facilities financed by the bonds from prior approval by the Texas Higher Education Coordinating Board.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1912, Committee Report 2nd House, Substituted: a negative impact of (\$8,506,000) 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) Impact to General Revenue Related Funds
2004	\$0
2005	(\$8,506,000)
2006	(\$8,506,000)
2007	(\$8,506,000)
2008	(\$8,506,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1
2004	\$0
2005	(\$8,506,000)
2006	(\$8,506,000)
2007	(\$8,506,000)
2008	(\$8,506,000)

Fiscal Analysis

The bill would authorize the issuance of the revenue bonds to the following institutions: (1) a maximum of \$56 million for The University of Texas Southwestern Medical Center at Dallas for facilities and infrastructure to be used primarily to conduct biomedical research; (2) a maximum of \$20 million for The University of Texas M.D. Anderson Cancer Center for facilities and infrastructure to be used primarily for biotechnology research and development; and (3) a maximum of \$30 million for The University of Texas Medical Branch at Galveston for facilities and infrastructure to be used primarily for conducting biomedical research, including research related to national bio-defense. Additionally, the bill stipulates that the board of regents of The University of Texas System may not 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 and, likely, this policy would continue.

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 \$8,506,000 for fiscal year 2005. (If debt service payments were for interest only, the estimated costs would be \$4,240,000 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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