

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 23, 2003

TO: Honorable Teel Bivins, Chair, Senate Committee on Finance

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1941 by Woolley (Relating to authorizing the issuance of revenue bonds to finance certain facilities and projects at certain public institutions of higher education and exempting the facilities and projects 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 HB1941, Committee Report 2nd House, Substituted: a negative impact of (\$19,537,791) 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	(\$7,428,466)
2005	(\$12,109,325)
2006	(\$12,105,500)
2007	(\$12,108,225)
2008	(\$12,111,925)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1
2004	(\$7,428,466)
2005	(\$12,109,325)
2006	(\$12,105,500)
2007	(\$12,108,225)
2008	(\$12,111,925)

Fiscal Analysis

The bill would authorize the issuance of the revenue bonds to the following institutions: (1) a maximum of \$34.9 million for The University of Texas Health Science Center at Houston for facilities and infrastructure damaged by Tropical Storm Allison; (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; (3) 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;(4) a maximum of \$25 million for The University of Houston System for facilities and infrastructure; and (5) a maximum of \$12.5 million for Texas A&M International University for facilities and infrastructure. Additionally, the bill stipulates that the board of regents of

The University of Texas System may not issue bonds authorized for The University of Texas Southwestern Medical Center at Dallas 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 for The University of Texas System would be issued during fiscal year 2004, with the exception for the bonds authorized for The University of Texas Southwestern Medical Center at Dallas which would be issued during fiscal year 2005, at a five 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 \$4,406,000 for fiscal year 2004 and \$8,900,000 for fiscal year 2005. (If debt service payments were for interest only, the estimated costs would be \$2,745,000 in fiscal year 2004 and \$4,985,000 in fiscal year 2005.)

The Texas Public Finance Authority assumed the bonds for The University of Houston System and Texas A&M International University would be issued during fiscal year 2004 at a 5.75 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas Public Finance Authority, debt service payments (principal and interest) would be \$3,022,466 for fiscal year 2004 and \$3,209,325 for fiscal year 2005. (If debt service payments were for interest only, the estimated costs would be \$2,032,466 in fiscal year 2004 and \$2,099,325 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, 710 Texas A&M University System Administrative and General Offices, 304 Comptroller of Public Accounts

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