

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 12, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2759 by Wong (Relating to authorizing the issuance of revenue bonds for certain component institutions of The University of Texas System.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2759, As Engrossed: a negative impact of (\$12,358,000) 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	(\$6,179,000)
2005	(\$6,179,000)
2006	(\$6,179,000)
2007	(\$6,179,000)
2008	(\$6,179,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1
2004	(\$6,179,000)
2005	(\$6,179,000)
2006	(\$6,179,000)
2007	(\$6,179,000)
2008	(\$6,179,000)

Fiscal Analysis

The bill would authorize the issuance of the revenue bonds to the following institutions: (1) 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 (2) a maximum of \$57 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. 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 2004 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 \$6,179,000 per fiscal year. (If debt service payments were for interest only, the estimated costs would be \$3,080,000 per fiscal year.)

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

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