

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

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

**April 23, 2003**

**TO:** Honorable Geanie Morrison, Chair, House Committee on Higher Education

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

**IN RE: HB2759** by Wong ( Relating to authorizing the issuance of revenue bonds for The University of Texas M.D. Anderson Cancer Center for biotechnology research and development facilities.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2759, Committee Report 1st House, Substituted: a negative impact of (\$3,210,000) 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2004	(\$1,605,000)
2005	(\$1,605,000)
2006	(\$1,605,000)
2007	(\$1,605,000)
2008	(\$1,605,000)

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

<b>Fiscal Year</b>	<b>Probable (Cost) from GENERAL REVENUE FUND 1</b>
2004	(\$1,605,000)
2005	(\$1,605,000)
2006	(\$1,605,000)
2007	(\$1,605,000)
2008	(\$1,605,000)

**Fiscal Analysis**

The committee substitute would authorize the issuance of a maximum of \$20 million in revenue bonds for The University of Texas M.D. Anderson Cancer Center for facilities and infrastructure to be used primarily for biotechnology research and development. 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 \$1,605,000 for fiscal year 2004 and would be \$1,605,000 for fiscal year 2005. (If debt service payments were for interest only, the estimated costs would be \$1,000,000 in fiscal year 2004 and \$1,000,000 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, 720 The University of Texas System Administration, 781 Higher Education Coordinating Board, 352 Bond Review Board

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