

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 8, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3350 by Davis, John (Relating to authorizing the issuance of revenue bonds for the University of Houston System.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3350, As Engrossed: a negative impact of (\$4,182,586) 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	(\$2,043,611)
2005	(\$2,138,975)
2006	(\$2,136,425)
2007	(\$2,136,575)
2008	(\$2,139,138)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2004	(\$2,043,611)
2005	(\$2,138,975)
2006	(\$2,136,425)
2007	(\$2,136,575)
2008	(\$2,139,138)

Fiscal Analysis

The bill would authorize the issuance of a maximum of \$25 million revenue bonds for The University of Houston System related to infrastructure needs at the individual campuses of the system. The bonds would be payable from pledged revenue, including student tuition.

These bonds would be financed in accordance with a systemwide revenue financing program adopted by the board. The 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

It is assumed the bonds 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, the amount of debt service payments, including principal and interest, would be \$2,043,611 for fiscal year 2004 and would be \$2,138,975 for fiscal year 2005. If debt service payments were for interest only, the costs would be \$1,373,611 in fiscal year 2004 and \$1,398,975 in fiscal year 2005. The total estimated amount of debt service (principal and interest from fiscal year 2004 to fiscal year 2023 is estimated to be \$42,665,949.

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, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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