

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 23, 2003

TO: Honorable Steve Ogden, Chair, Senate Committee on Infrastructure Development and Security

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1083 by Ogden (Relating to the issuance of bonds and other public securities secured by the state highway fund and the financing and construction of highways.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1083, As Introduced: an impact of \$0 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	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>STATE HIGHWAY FUND</i> 6	Probable Savings/(Cost) from <i>STATE HIGHWAY FUND</i> 6
2004	\$5,025,830,000	(\$5,619,828,195)
2005	\$0	(\$593,997,630)
2006	\$0	(\$593,996,660)
2007	\$0	(\$593,995,000)
2008	\$0	(\$593,999,850)

Fiscal Analysis

The bill is contingent on the passage and voter approval of Senate Joint Resolution (SJR) 44, or similar legislation which proposes a constitutional amendment authorizing the Texas Transportation Commission (TTC) to issue bonds and other public securities and enter into bond enhancement agreements payable from revenues deposited to the credit of the State Highway Fund. The bill would limit the amount of bonds and other public securities to \$5 billion; provide guidance, restrictions, and limitations for the expenditure of the proceeds; require that bonds, other public securities, and bond enhancement agreements may not have a principal amount, or terms, at the time of issuance that would cause annual obligation expenditures in excess of ten percent of the amount deposited to the credit of the State Highway Fund in the year prior to the issuance; and that obligations may not mature later than 15 years after the date of issuance, subject to any refunding or renewals. The bill would

require the Comptroller to withdraw and forward from the State Highway Fund to the TTC, or another person at the direction of the TTC, funds for the payment of principal, interest, and other bond and bond enhancement agreement related costs. The bill would also require the TTC to prescribe criteria for selecting highway safety improvement projects eligible for funding under the bill.

The bill would take effect on the date on which the constitutional amendment proposed by the 78th Legislature, Regular Session, authorizing the issuance of bonds for improvements to the state highway system would take effect. If that amendment does not receive approval by the voters, this bill would have no effect.

Methodology

Contingent on the passage and voter approval of SJR 44, or similar legislation, the bill would require debt service costs estimated on the assumption there would be one bond issuance of \$5.0 billion of project costs on March 1, 2004 at an interest rate of 1.11 percent; that the total revenues available in the State Highway Fund during each year would exceed \$5.9 billion; that debt service for the issuance would be for a ten year period; that the interest rate would increase to 2.6 percent in FY 2005; that repayments would be financed through the State Highway Fund; and that the amount of the bond issue would be reduced by the estimated interest earned on the balance of bond proceeds each year. Other assumptions include issuance costs of \$1.96 per \$1,000 of bonds and underwriting fees of \$5 per \$1,000 of bonds. It is estimated that payment costs would be approximately \$516.6 million in fiscal year 2004, \$444.8 million in 2005, \$456.4 million in 2006, \$468.3 in 2007, and \$480.5 in 2008.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 601 Department of Transportation

LBB Staff: JK, JO, RR, RT, MW, KG