

**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: SB1755** by Jackson (Relating to authorizing the issuance of revenue bonds for The University of Texas Medical Branch at Galveston to finance biomedical research facilities and exempting the facilities financed by the bonds from prior approval by the Texas Higher Education Coordinating Board.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1755, As Introduced: a negative impact of (\$9,148,000) 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	(\$4,574,000)
2005	(\$4,574,000)
2006	(\$4,574,000)
2007	(\$4,574,000)
2008	(\$4,574,000)

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

<b>Fiscal Year</b>	<b>Probable (Cost) from GENERAL REVENUE FUND 1</b>
2004	(\$4,574,000)
2005	(\$4,574,000)
2006	(\$4,574,000)
2007	(\$4,574,000)
2008	(\$4,574,000)

**Fiscal Analysis**

The bill would authorize the issuance of a maximum of \$57.0 million in revenue bonds for The University of Texas Medical Branch at Galveston for facilities and infrastructure, which will be used primarily to conduct 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 obligations of 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 the Legislature would continue this policy.

## **Methodology**

The University of Texas System Administration (UT System) assumed the bonds would be issued during fiscal year 2004 at a five percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by UT System, the amount of debt service payments would be \$4,574,000 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:** 304 Comptroller of Public Accounts, 347 Public Finance Authority, 352 Bond Review Board, 720 The University of Texas System Administration, 781 Higher Education Coordinating Board

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