

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATURE 1st CALLED SESSION - 2005

July 14, 2005

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB6 by Morrison (Relating to authorizing the issuance of revenue bonds or other obligations to fund capital projects at public institutions of higher education; making an appropriation.),
As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB6, As Engrossed: a negative impact of (\$108,000,000) through the biennium ending August 31, 2007.

Appropriations:

Fiscal Year	Appropriation out of <i>GENERAL REVENUE FUND</i> 1
2006	\$54,000,000
2007	\$54,000,000

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	(\$54,000,000)
2007	(\$54,000,000)
2008	(\$54,000,000)
2009	(\$54,000,000)
2010	(\$54,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>INSTITUTIONAL FUNDS</i> 8888
2006	(\$54,000,000)	(\$183,270,482)
2007	(\$54,000,000)	(\$185,032,857)
2008	(\$54,000,000)	(\$185,032,857)
2009	(\$54,000,000)	(\$185,097,932)
2010	(\$54,000,000)	(\$185,020,957)

Fiscal Analysis

The bill would authorize the issuance of \$2.75 billion in tuition revenue bonds for institutions of higher education to finance construction and improvement of infrastructure and related facilities. The bill includes authorization of \$1,113 million for the University of Texas System, \$683 million for the Texas A&M System, \$158 million for the University of Houston System, \$295 million for the Texas State University System, \$161 million for the University of North Texas System, \$89.75 million for

the Texas Tech University System and \$230 million for independent institutions. The bill would appropriate \$108 million to pay debt service on the authorizations. The total tuition revenue bond debt service would have a biennial cost of \$476,303,339 for fiscal years 2006-2007.

The bonds would be payable from pledged revenue plus tuition. The bonds would not be general obligations of the State. However, the issued 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 for the tuition used to pay the debt service. For purposes of this fiscal note it assumed that the \$108 million in general revenue would be split evenly between fiscal year 2006 and fiscal 2007 and that the schools would be responsible for the remaining debt service.

Methodology

Bonds for components of the University of Texas System are assumed to be issued on September 1, 2005, at a 6.00 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by The University of Texas System the amount of debt service payments would be \$98,326,750 for fiscal year 2006 and \$98,326,750 for fiscal year 2007.

Bonds for components of the Texas A&M University System are assumed to be issued on September 1, 2005, at a 6.00 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas A&M University System the amount of debt service payments would be \$59,657,327 for fiscal year 2006 and \$59,657,327 for fiscal year 2007.

Bonds for components of the University of Houston System are assumed to be issued on September 1, 2005, at a 6.00 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the University of Houston System the amount of debt service payments would be \$13,275,000 for fiscal year 2006 and \$13,275,000 for fiscal year 2007.

Bonds for components of the Texas State University System are assumed to be issued on September 1, 2005, at a 6.5 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas State University System the amount of debt service payments would be \$26,391,020 for fiscal year 2006 and \$26,540,895 for fiscal year 2007.

Bonds for components of the University of North Texas System are assumed to be issued on September 1, 2005, at a 6.00 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the University of North Texas System the amount of debt service payments would be \$13,663,333 for fiscal year 2006 and \$13,633,100 for fiscal year 2007.

Bonds for Texas Woman's University are assumed to be issued on September 1, 2005, at a 7.00 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by Texas Woman's University the amount of debt service payments would be \$4,200,485 for fiscal year 2006 and \$4,200,485 for fiscal year 2007.

Bonds for Midwestern State University are assumed to be issued on September 1, 2005, at a 6.00 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by Midwestern State University the amount of debt service payments would be \$831,725 for fiscal year 2006 and \$908,100 for fiscal year 2007.

The bonds for Stephen F. Austin State University are assumed to be issued on September 1, 2005, at a 6.00 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by Stephen F. Austin State University the amount of debt service payments would be \$5,235,500 for fiscal year 2006 and \$5,725,100 for fiscal year 2007.

The bonds for the Texas Tech University System are assumed to be issued on September 1, 2005, at a 5.00 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas Tech University System the amount of debt service payments would be \$6,913,542 for fiscal year 2006 and \$7,192,500 for fiscal year 2007.

Bonds for Texas Southern University are assumed to be issued on September 1, 2005, at a 6.00 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 would be \$8,775,800 for fiscal year 2006 and \$9,573,600 for fiscal year 2007.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 769 University of North Texas System Administration, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 352 Bond Review Board, 739 Texas Tech University Health Sciences Center, 717 Texas Southern University, 731 Texas Woman's University, 735 Midwestern State University, 755 Stephen F. Austin State University, 758 Board of Regents, Texas State University System Central Office, 783 University of Houston System Administration

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