

LEGISLATIVE BUDGET BOARD
Austin, Texas

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

July 17, 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.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB6, Committee Report 2nd House, Substituted: a negative impact of (\$16,590,050) through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	(\$8,295,025)
2007	(\$8,295,025)
2008	(\$8,295,025)
2009	(\$8,295,025)
2010	(\$8,295,025)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1
2006	(\$8,295,025)
2007	(\$8,295,025)
2008	(\$8,295,025)
2009	(\$8,295,025)
2010	(\$8,295,025)

Fiscal Analysis

The bill would authorize the issuance of a maximum of \$50 million in revenue bonds by the Texas A&M University System for Texas A&M-Kingsville for educational-related facilities at the location proposed for Texas A&M University-San Antonio. The bill would also authorize the issuance of a maximum of \$45 million in revenue bonds by the Texas A&M University System for Texas A&M-Texarkana for educational and support facilities.

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 bond, historically the Legislature has appropriated general revenue to reimburse institutions for the tuition used to pay the debt service and this policy is assumed to continue.

Methodology

It is assumed the bonds would be issued on September 1, 2005, at a 6 percent interest rate with a 20-year debt service amortization. Based on calculations provided by the Texas A&M System, the amount of debt service payments for Texas A&M-Kingsville would be \$4,365,625 for fiscal year 2006 and \$4,365,625 for fiscal year 2007. For Texas A&M-Texarkana the debt service would be \$3,929,400 for fiscal year 2006 and \$3,929,400 for fiscal year 2007.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 710 Texas A&M University System Administrative and General Offices

LBB Staff: JOB, SSh, CT, SD, RT, GO