

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

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

**July 13, 2005**

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

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

**IN RE: SB80** by Ogden (Relating to authorizing the issuance of revenue bonds or other obligations to fund capital projects at public institutions of higher education.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB80, As Introduced: a negative impact of (\$203,700,794) through the biennium ending August 31, 2007.

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
2006	(\$101,496,972)
2007	(\$102,203,822)
2008	(\$61,344,645)
2009	(\$61,330,268)
2010	(\$61,319,834)

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

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Savings/(Cost) from <i>INSTITUTIONAL FUNDS</i> 8888
2006	(\$101,496,972)	(\$9,358,748)
2007	(\$102,203,822)	(\$9,358,748)
2008	(\$61,344,645)	(\$50,039,342)
2009	(\$61,330,268)	(\$50,030,509)
2010	(\$61,319,834)	(\$50,023,702)

**Fiscal Analysis**

The bill would authorize the issuance of \$1,293 million in tuition revenue bonds for institutions of higher education to finance construction and improvement of infrastructure and related facilities. The bill includes authorization of \$611.9 million for the University of Texas System, \$264.5 million for the Texas A&M System, \$90 million for the University of Houston System, \$113 million for the Texas State University System, \$85 million for the University of North Texas System, \$69.5 million for the Texas Tech University System and \$60 million for the independent institutions. The tuition revenue bond debt service would have a biennial cost of \$203,700,794 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. This note assumes the Legislature would continue this policy. For purposes of this fiscal note it is assumed the bonds will be issued on September 1, 2005. If the bonds are issued later, the cost to the State for the related debt service would be shifted.

Under SECTION 4 of the bill, beginning in fiscal year 2008, the reimbursement by the state may not exceed 60 percent of the amount of the debt service for as long as the bonds are outstanding unless the limitation would impose an unreasonable hardship on the universities. Under SECTION 1 of the bill, the University of Texas at Austin and the University of Texas Southwestern Medical Center, would not be eligible for debt service reimbursement.

## **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 general revenue debt service payments would be \$44,019,483 for fiscal year 2006 and \$44,019,483 for fiscal year 2007. Beginning in fiscal year 2008, the debt service payments would be \$26,411,690 per year. The institutional cost to the University of Texas System would be \$9,358,748 in fiscal year 2006 and fiscal year 2007 for the debt service associated with the University of Texas at Austin and the University of Texas Southwestern Medical Center at Dallas. Beginning in fiscal year 2008, the institutional cost for the system, which includes the remaining 40 percent debt service and the debt service for the University of Texas at Austin and the University of Texas Southwestern Medical Center at Dallas, would be \$26,936,541.

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 general revenue debt service payments would be \$23,096,140 for fiscal year 2006 and \$23,096,140 for fiscal year 2007. Beginning in fiscal year 2008, the general revenue debt service would be \$13,857,684 per year. The institutional cost to Texas A&M System would be \$9,238,456 per year beginning in fiscal year 2008.

Bonds for components of the University of Houston System are assumed to be issued on September 1, 2005, at a 5.25 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the University of Houston System the amount of general revenue debt service payments would be \$7,375,706 for fiscal year 2006 and fiscal year 2007. Beginning in fiscal year 2008, the general revenue debt service would be \$4,425,423. The institutional cost to the University of Houston System would be \$2,950,283 per year.

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 \$10,254,114 for fiscal year 2006 and fiscal year 2007. Beginning in fiscal year 2008, the general revenue debt service would be \$6,152,469. The institutional cost to the Texas State University System would be \$4,101,645 per year.

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. The amount of debt service payments would be \$7,113,333 for fiscal year 2006 and \$7,111,600 for fiscal year 2007. For fiscal years 2008 through 2010, the general revenue debt service would be \$4,269,360, \$4,266,234 and \$4,267,500 respectively. The institutional cost to the University of North Texas System would be \$2,846,240 in fiscal year 2008, \$2,844,156 in fiscal year 2009 and \$2,845,000 in fiscal year 2010.

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 \$350,000 for fiscal year 2006 and \$842,5000 for fiscal year 2007. The debt service for fiscal year 2006 would be for interest only. Fiscal year 2007 would include principal and interest. For fiscal years 2008 through 2010, the

general revenue debt service would be \$525,600, \$514,800 and \$504,000 respectively. The institutional cost to Midwestern would be \$350,400 in fiscal year 2008, \$343,200 in fiscal year 2009 and \$336,000 in fiscal year 2010.

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 \$1,743,691 for fiscal year 2006 and fiscal year 2007. Beginning in fiscal year 2008, the general revenue debt service would be \$1,046,215. Beginning in fiscal year 2008, the institutional cost to Stephen F. Austin would be \$697,476 per year.

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 \$5,355,417 for fiscal year 2006 and \$5,571,500 for fiscal year 2007. For fiscal years 2008 through 2010, the general revenue debt service would be \$3,342,751, \$3,342,300 and \$3,341,400 respectively. The institutional cost to Texas Tech System would be \$2,012,666 in fiscal year 2008, \$2,013,117 in fiscal year 2009 and \$2,012,666 in fiscal year 2010.

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. The amount of debt service payments would be \$2,189,088 for fiscal year 2006 and fiscal year 2007. Beginning in fiscal year 2008, the general revenue debt service would be \$1,313,453 per year. The institutional cost to Texas Southern University would be \$875,635 per year beginning in fiscal year 2008.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 717 Texas Southern University, 735 Midwestern State University, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 783 University of Houston System Administration, 352 Bond Review Board, 739 Texas Tech University Health Sciences Center, 731 Texas Woman's University, 755 Stephen F. Austin State University, 758 Board of Regents, Texas State University System Central Office

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