

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATURE 3rd CALLED SESSION - 2006

May 15, 2006

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

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

IN RE: HB153 by Morrison (Relating to authorizing the issuance of revenue bonds or other obligations to fund capital projects at public institutions of higher education.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB153, As Passed 2nd House: a negative impact of (\$5,300,000) through the biennium ending August 31, 2007.

Appropriations:

Fiscal Year	Appropriation out of <i>GENERAL REVENUE FUND</i> 1
2006	\$5,300,000
2007	\$0

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	(\$5,300,000)
2007	\$0
2008	(\$166,390,560)
2009	(\$166,997,499)
2010	(\$166,996,062)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1
2006	(\$5,300,000)
2007	\$0
2008	(\$166,390,560)
2009	(\$166,997,499)
2010	(\$166,996,062)

Fiscal Analysis

The bill would authorize the issuance of \$1.8 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 \$846 million for the University of Texas System, \$465 million for the Texas A&M System, \$131 million for the University of Houston System, \$97 million for the Texas State University System, \$117 million for the University of North Texas System, \$90 million for the Texas

Tech University System, \$3 million for the TSTC System, and \$109 million for independent institutions.

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 is assumed the bonds would be issued on September 1, 2007.

The bill also makes an appropriation of \$5.3 million out of the General Revenue Fund to the University of Texas System to reimburse debt service paid on long-term obligations related to the construction of a natural science and engineering research building at the University of Texas at Dallas for the state fiscal biennium ending August 31, 2007.

Methodology

The debt service calculations were generally based on a six percent interest rate and a 20-year debt service amortization. Based on these assumptions, the debt service calculations for fiscal year 2008 is estimated to be \$159,849,960.

In addition to the tuition revenue bond debt service amounts, \$6,540,600 per year is included for the University of Texas at Dallas for the natural science and engineering research building.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 347 Public Finance Authority, 781 Higher Education Coordinating Board, 769 University of North Texas System Administration, 768 Texas Tech University System Administration, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 739 Texas Tech University Health Sciences Center, 352 Bond Review Board, 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

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