

LEGISLATIVE BUDGET BOARD
Austin, Texas

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

May 4, 2006

TO: Honorable Geanie Morrison, Chair, House Committee on Higher Education

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; making an appropriation.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB153, Committee Report 1st House, Substituted: 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 | \$0 |
| 2007 | \$108,000,000 |

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2007 | (\$108,000,000) |
| 2008 | (\$54,000,000) |
| 2009 | (\$54,000,000) |
| 2010 | (\$54,000,000) |
| 2011 | (\$54,000,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1 | Probable Savings/(Cost) from <i>INSTITUTIONAL FUNDS</i> 8888 |
|-------------|--|--|
| 2007 | (\$108,000,000) | (\$206,468,931) |
| 2008 | (\$54,000,000) | (\$262,746,505) |
| 2009 | (\$54,000,000) | (\$262,743,705) |
| 2010 | (\$54,000,000) | (\$262,745,105) |
| 2011 | (\$54,000,000) | (\$262,749,806) |

Fiscal Analysis

The bill would authorize the issuance of \$3.72 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 \$1.388 million for the University of Texas System, \$899 million for the Texas A&M System, \$331 million for the University of Houston System, \$222 million for the Texas State University System, \$210 million for the University of North Texas System, \$305 million for the

Texas Tech University System, \$31 million for the TSTC System, and \$334 million for independent institutions. The bill would appropriate \$108 million for the Fiscal Year 2006-07 biennium to pay debt service on the authorizations.

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 that the \$108 million in general revenue would be appropriated in fiscal year 2007 and the schools would be responsible for the remaining debt service. It is also assumed that the legislative practice of reimbursing the schools will continue at the same level and beginning in fiscal year 2008, the appropriation will be split evenly, \$54 million per year.

Methodology

Bonds for components of the University of Texas System are assumed to be issued on September 1, 2006, 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 \$121,058,552 for fiscal year 2007.

Bonds for components of the Texas A&M University System are assumed to be issued on September 1, 2006, 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 \$78,382,013 for fiscal year 2007.

Bonds for components of the University of Houston System are assumed to be issued on September 1, 2006, 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 \$27,838,000 for fiscal year 2007.

Bonds for components of the Texas State University System are assumed to be issued on September 1, 2006, 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 \$17,318,518 for fiscal year 2007.

Bonds for components of the University of North Texas System are assumed to be issued on September 1, 2006, 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 \$17,780,585 for fiscal year 2007.

Bonds for Texas Woman's University are assumed to be issued on September 1, 2006, at a 6.00 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 \$2,106,000 for fiscal year 2007.

Bonds for Midwestern State University are assumed to be issued on September 1, 2006, 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 \$1,600,000 for fiscal year 2007.

The bonds for Stephen F. Austin State University are assumed to be issued on September 1, 2006, 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 \$6,658,525 for fiscal year 2007.

The bonds for the Texas Tech University System are assumed to be issued on September 1, 2006, at a 6.00 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 \$22,280,300 for fiscal year 2007.

Bonds for Texas Southern University are assumed to be issued on September 1, 2006, 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 \$16,740,000 for fiscal year 2007.

Bonds for Texas State Technical College System are assumed to be issued on September 1, 2006, at a 6.00 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas State Technical College System the amount of debt service payments would be \$2,706,438 for fiscal year 2007.

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

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