

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 9, 2005

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

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

IN RE: HB2543 by Hamric (Relating to authorizing the issuance of revenue bonds for The University of Texas Dental Branch at Houston at The University of Texas Health Science Center at Houston.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2543, As Introduced: a negative impact of (\$7,846,610) 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	(\$3,923,305)
2007	(\$3,923,305)
2008	(\$3,923,305)
2009	(\$3,923,305)
2010	(\$3,923,305)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1
2006	(\$3,923,305)
2007	(\$3,923,305)
2008	(\$3,923,305)
2009	(\$3,923,305)
2010	(\$3,923,305)

Fiscal Analysis

The bill amends Subchapter B, Chapter 55 of the Education Code by adding Section 55.1752 which would authorize The University of Texas System to issue additional revenue bonds in an amount not to exceed \$45,000,000. The debt service payments will be \$3,923,305 in each year of the 2006-07 biennium.

The board of regents of The University of Texas System would acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure for educational or related facilities for The University of Texas Dental Branch at Houston at The University of Texas Health Science Center at Houston, to be financed with the proceeds of the bonds authorized in the subchapter

In addition the bill states the board may pledge irrevocably all or any part of the revenue funds, including student tuition charges of The University of Texas System for payment of the bonds.

Furthermore, if funds are not available to meet the bond obligations authorized by this section, the section authorizes the board of regents to transfer funds among institutions, branches, and entities of The University of Texas System in an equitable manner to ensure each the most equitable and efficient allocation of available resources for each institution, branch, or entity to carry out its duties and purposes.

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.

The bill takes immediate effect if it receives a vote of two-thirds of all the members elected to both the House and the Senate as provided by Section 39, Article III, Texas Constitution. If the Act does not receive the vote necessary for immediate effect, the Act will take effect September 1, 2005.

Methodology

The cost to issue the bonds is based on an assumed 20-year tax-exempt bond issue, structured with level debt service with a 6% interest rate. The debt service payments for fiscal year 2006 will be \$3,923,305; for fiscal year 2007 will be \$3,923,305; for fiscal year 2008 will be \$3,923,305; for fiscal year 2009 will be \$3,923,305; and for fiscal year 2010 will be \$3,923,305.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 352 Bond Review Board, 720 The University of Texas System Administration

LBB Staff: JOB, CT, RT, MM