

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 10, 2005

TO: Honorable David Swinford, Chair, House Committee on State Affairs

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

IN RE: HB3076 by Naishtat (Relating to the establishment of the stem cell research program.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB3076, As Introduced: a negative impact of (\$37,985,114) 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	(\$5,231,307)
2007	(\$32,753,807)
2008	(\$31,764,807)
2009	(\$30,792,637)
2010	(\$29,913,637)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2005
2006	(\$5,231,307)	6.2
2007	(\$32,753,807)	6.2
2008	(\$31,764,807)	6.2
2009	(\$30,792,637)	5.2
2010	(\$29,913,637)	5.2

Fiscal Analysis

The bill would amend Chapter 155 of the Education Code and require the Higher Education Coordinating Board (HECB) to administer the Stem Cell Research Program. The HECB estimates the cost for administering the program to be \$37,985,114 for the 2006-07 biennium. This would include \$36,432,500 in fiscal year 2006 and fiscal year 2007 for annual debt service payment (principal and interest) for \$295 million in general obligation bonds; in addition to operating expenses for fiscal year 2006 of \$806,307 and \$746,307 for fiscal year 2007. The annual debt service payments assume bonds are issued at a 6% interest rate, with a 20-year level principal amortization.

The bill would take effect on the date which the constitutional amendment, House Joint Resolution 96, or similar legislation, proposed by the 79th Legislature, Regular Session, authorizing the issuance of general obligation bonds to provide grants and loans for stem cell research is approved by the voters. If the amendment does not receive approval of the voters, or if House Bill 3076 is not enacted, the bill would have no effect. The committee’s powers and duties would be defined by the Texas Constitution, Article XVI, Section 49-o (proposed HJR 96), including making grants and loan for

medical research, and establish appropriate regulatory standards for regenerative medicine research and facilities development.

Methodology

The estimated cost to implement the program includes: \$806,307 for operating expenses, and \$4,425,000 for debt service in fiscal year 2006; \$746,307 for operating expenses, and \$32,007,500 for debt service in fiscal year 2007; \$642,307 for operating expenses, and \$31,122,500 for debt service in fiscal year 2008; \$555,137 for operating expenses, and \$30,792,637 for debt service in fiscal year 2009; \$561,137 for operating expenses, and \$29,913,637 for debt service in fiscal year 2010. The total 5-year cost to General Revenue would be \$130,456,195; which includes \$3,311,195 for operating expenses and \$127,145,000 in annual debt service payments through fiscal year 2010.

According to the HECB, operating expenses for the additional personnel will cost \$347,682 through fiscal year 2008, and then will decrease to \$299,862 through fiscal year 2010. The HECB also estimates other operating expenses for professional services, benefits, etc., will be \$458,625 for fiscal year 2006, \$389,625 for fiscal year 2007, \$294,625 for fiscal year 2008, \$255,275 for fiscal year 2009 and \$261,275 for fiscal year 2010.

According to the Public Finance Authority the annual debt service payments assumes the bonds will be issued at a 6% interest rate, with a 20-year level principal amortization.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 347 Public Finance Authority, 781 Higher Education Coordinating Board

LBB Staff: JOB, SR, RT, MM, GO