LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 4, 2005

TO: Honorable Todd Staples, Chair, Senate Committee on Transportation & Homeland Security

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

IN RE: **SB1712** by Staples (Relating to the administration and use of the Texas rail relocation and improvement fund and the issuance of obligations for financing the relocation, construction, reconstruction, acquisition, improvement, rehabilitation, and expansion of rail facilities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1712, As Introduced: a negative impact of ($113,039,900) 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	($25,585,000)
2007	($87,454,900)
2008	($87,454,500)
2009	($87,453,000)
2010	($87,454,400)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *New Other from Texas Rail Relocation and Improvement Fund - Bond Proceeds*	Probable Savings/ (Cost) from *New Other from Texas Rail Relocation and Improvement Fund*	Probable Revenue Gain/(Loss) from *New Other from Texas Rail Relocation and Improvement Fund*	Probable Savings/ (Cost) from *GENERAL REVENUE FUND* 1
2006	$989,000,000	($247,250,000)	$25,585,000	($25,585,000)
2007	$0	($247,250,000)	$87,454,900	($87,454,900)
2008	$0	($247,250,000)	$87,454,500	($87,454,500)
2009	$0	($247,250,000)	$87,453,000	($87,453,000)
2010	$0	$0	$87,454,400	($87,454,400)

Fiscal Analysis

The bill would amend the Transportation Code to authorize the Texas Transportation Commission (TTC) to issue and enter into credit agreements related to obligations in the name and on behalf of the state for financing the relocation, construction, reconstruction, acquisition, improvement, rehabilitation, and expansion of rail facilities. The bill would pledge the full faith and credit of the state to the payment of obligations and credit agreements in the event that revenue and money for and on deposit in the fund would be insufficient to cover debt obligations. The bill would establish authorizations, requirements, and limitations for issuing and aggregating obligations, investing, using, and administering the fund.

The bill would not dedicate a specific amount to the Texas Rail Relocation and Improvement Fund, but would require that revenue dedicated or appropriated pursuant to the requirements of the Texas Constitution would be deposited to the fund. The bill would also require the Comptroller to hold and certify amounts within the fund. The bill would require that income received from the investment of money in the fund be deposited in the fund subject to any requirements imposed by proceedings authorizing obligations to protect the tax-exempt status of interest payable on the obligations under the Internal Revenue Code of 1986. The bill would prohibit the TTC from issuing obligations prior to the Texas Department of Transportation (TxDOT) developing a strategic plan that would outline how funds would be used and would benefit the state.

The provisions of the bill require that long-term obligations may not be issued unless the comptroller projects in the comptroller's certification that the amount of the money dedicated to the fund and required to deposit in the fund will be equal to at least 110 percent of the requirements to pay the principal of and interest on the proposed long-term obligations.

For the purposes of this analysis, it is assumed that $1 billion in bonds would be issued in two $500 million issuances with the first occuring in February 2006 and the second in August 2006. It is also assumed that the cost of projects would occur over four years with debt service being paid by General Revenue.

The bill would take effect on the date on which the constitutional amendment, HJR 54, or similar legislation, proposed by the 79th Legislature, Regular Session, creating the Texas Rail Relocation and Improvement Fund authorizing grants of money and isuance of obligations for financing the relocation, construction, reconstruction, acquisition, improvement, rehabilitation, and expansion of rail facilities takes effect. If that amendment does not receive approval of the voters, or if SB1712 is not enacted, the bill would have no effect.

Methodology

It is assumed that an annual transfer would be made from the General Revenue Fund to the new Texas Rail Relocation and Improvement Fund for the purposes of making required debt payments for the bonds. It is assumed bonds totaling $1 billion would be issued for 20 years at an interest rate of 6 percent with semi-annual payment with the first occurring on August 31, 2006. Other assumptions include fees of $11 million for the cost of issuance and underwriting fees ($11 per $1,000 of bonds). It is estimated that the Texas Department of Transportation (TxDOT) would issue $500 million in bonds on February 1, 2006, and that the debt service required for the bonds would cost $25.6 million in fiscal year 2006 with the cost increasing to $87.5 million in fiscal year 2007.

It is assumed that TXDOT would develop the necessary strategic plan prior to the issuance of obligations and that the issuance of these obligations would impact the constitutional debt limit under Article III, Section 49-j of the Texas Constitution.

Local Government Impact

The fiscal impact to units of local government would vary depending on the size of the local body and the services that would be provided under the provisions of the bill. It is assumed that costs to local governmental entities for participating in the relocation, construction, reconstruction, acquisition, improvement, rehabilitation, and expansion of rail facilities in this state would depend on the size and type of the projects that are constructed.

Source Agencies: 302 Office of the Attorney General, 352 Bond Review Board, 304 Comptroller of Public Accounts, 601 Department of Transportation

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