

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION
Revision 1

May 24, 2007

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

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

IN RE: HB317 by Miller (Relating to the student enrollment required for the issuance of certain revenue bonds for facilities at Texas A&M University--Central Texas.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB317, As Passed 2nd House: a negative impact of (\$15,560,658) through the biennium ending August 31, 2009.

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
2008	(\$7,780,329)
2009	(\$7,780,329)
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1
2008	(\$7,780,329)
2009	(\$7,780,329)
2010	\$0
2011	\$0
2012	\$0

Fiscal Analysis

The bill would require the Texas Higher Education Coordinating Board to conduct a study to determine: the merits of permitting a public institution of higher education to issue bonds for the purpose of funding capital projects at branch campuses, extension centers, system centers, and multi-institutional teaching centers, regardless of the level of student enrollment; and student enrollment levels that may be appropriate to serve as a statutory prerequisite for issuing those bonds.

The bill would repeal Section 55.1751(d), Section 55.1751(e) and Section 55.1755(d) of Education Code to eliminate the threshold enrollment levels at which Texas A&M University System and the University of North Texas System could issue tuition revenue bonds as established in House Bill 153,

Third Called Session, 79th Legislature, for Texas A&M University - Central Texas, Texas A&M University - San Antonio and the University of North Texas at Dallas.

Texas A&M University System would be authorized to issue additional revenue bonds in an amount not to exceed \$25,000,000 for Texas A&M University - Central Texas and an amount not to exceed \$40,000,000 for Texas A&M University - San Antonio. The University of North Texas System would be authorized to issue additional revenue bonds in an amount not to exceed \$25,000,000 for the University of North Texas at Dallas campus.

Passage of this bill would move issuance of the Texas A&M University System tuition revenue bonds to 2008. The debt service payments would be \$5,666,996 in each year of the 2008-09 biennium. The board of regents of the Texas A&M University System would acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, or other facilities, including roads and related infrastructure, for educational and related facilities to be financed with the proceeds of the bonds authorized in the subchapter.

Passage of this bill would move issuance of the University of North Texas System tuition revenue bonds to 2008. The debt service payments would be \$2,113,333 in each year of the 2008-09 biennium. The board of regents of the University of North Texas System would acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, or other facilities, including roads and related infrastructure, for educational and related facilities to be financed with the proceeds of the bonds authorized in the subchapter.

While the bill does not specify issuance of tuition revenue bonds, Tuition Revenue Bonds are assumed to be issued in accordance with the Texas A&M University System and University of North Texas System revenue financing programs.

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.

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 payment for fiscal year 2008 would be \$7,780,329; fiscal year 2009 would be \$7,780,329.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board, 710 Texas A&M University System Administrative and General Offices

LBB Staff: JOB, SD, MN, RT, SSh, KJG, DB, CT