LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION
Revision 1

May 2, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: **SB1640** by Williams (Relating to the student loan program administered by the Texas Higher Education Coordinating Board; authorizing the issuance of bonds.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1640, As Introduced: an impact of $0 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	$0
2009	$0
2010	$0
2011	$0
2012	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Student Loan Funds* 997	Probable Revenue Gain/(Loss) from *Student Loan Funds* 997
2008	$0	$0
2009	$0	$0
2010	($2,625,000)	$2,625,000
2011	($9,239,600)	$9,239,600
2012	($15,854,350)	$15,854,350

Fiscal Analysis

The bill would authorize $500 million in general obligation bonds for the Texas Higher Education Coordinating Board for their college student loan program. The bill would become effective upon passage of a constitutional amendment by the voters.

The college student loan program is self-supporting, with program revenue sufficient to pay the debt service on the bonds and the costs of operating the program. Should the program revenue be insufficient, because the bonds are general obligations of the state, it would require a draw on the general revenue fund. Historically, this program has never required general revenue.

Methodology

It is assumed the Coordinating Board would issue $75 million in general obligations bonds per year beginning in fiscal year 2010. The Coordinating Board has existing authority of $250 million outstanding that will be used for the program until fiscal year 2010. The debt service would be paid from revenue from the student loan repayments. Using information provided by the Bond Review Board, the debt service is estimated to be $2.6 million in fiscal year 2010, $9.2 million in fiscal year 2011 and $15.8 million in fiscal year 2012 using a 6% interest rate and a 20 year maturity. There would be principal payments every October 1, and semi-annual interest payments every April 1 and October 1st, beginning in April 1, 2010.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 352 Bond Review Board, 781 Higher Education Coordinating Board

LBB Staff: JOB, CT, RT, GO