

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 3, 2009**

**TO:** Honorable Dan Branch, Chair, House Committee on Higher Education

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

**IN RE: HB1967** by Aycock (relating to the operation of certain institutions of higher education as general academic teaching institutions and to the statutory limitation imposed on certain university systems to issue revenue bonds to fund facilities at certain institutions of higher education.), **Committee Report 1st House, Substituted**

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for HB1967, Committee Report 1st House, Substituted: a negative impact of (\$9,894,529) through the biennium ending August 31, 2011.
--

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2010	(\$2,113,333)
2011	(\$7,781,196)
2012	(\$7,779,196)
2013	(\$7,779,796)
2014	(\$7,777,696)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>
2010	(\$2,113,333)
2011	(\$7,781,196)
2012	(\$7,779,196)
2013	(\$7,779,796)
2014	(\$7,777,696)

**Fiscal Analysis**

Under provisions of the bill:

-The connection between the authority for Texas A&M University - San Antonio to operate as a general academic teaching institution and the issuance of tuition revenue bonds would be removed.

-The University of North Texas at Dallas would be eligible to receive both additional general revenue appropriations and small institution formula funding supplement before it reaches 2,500 full-time equivalent students.

-The enrollment thresholds tied to the issuance of tuition revenue bonds for three institutions of higher education: Texas A&M University - San Antonio, Texas A&M - Central Texas and the University of North Texas - Dallas would be removed. Under current law the enrollment thresholds have to be met

by January 1, 2010 or the authority to issue the bonds expires; the bill would also remove this expiration date.

The Texas A&M University System and the University of North Texas System would be authorized to issue a total of \$90 million in tuition revenue bonds for Texas A&M University - San Antonio (\$40 million), Texas A&M - Central Texas (\$25 million) and the University of North Texas - Dallas (\$25 million).

The bonds would be payable from pledged revenue plus tuition. The bonds would not be general obligations of the State. However, the issued bonds would have fiscal implications for the State. 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.

For purposes of this fiscal note it is assumed the University of North Texas bonds would be issued on September 1, 2009 and the Texas A&M University System bonds would be issued on September 1, 2010.

### **Methodology**

Beginning in fiscal year 2010, the University of North Texas System would issue bonds based on a six percent interest and 20-year debt service amortization. Debt service associated with these bonds would be \$2,113,333 in fiscal year 2010, \$2,114,200 in fiscal year 2011, \$2,112,200 in fiscal year 2012, \$2,112,800 in fiscal year 2013 and \$2,110,700 in fiscal year 2014.

Beginning in fiscal year 2011, the Texas A&M University System would issue bonds based on a six percent interest and 20-year debt service amortization. Debt service associated with these bonds would be \$5,666,996 for fiscal year 2011 and would be the same for fiscal years 2012 through 2014.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 352 Bond Review Board, 710 Texas A&M University System Administrative and General Offices, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board

**LBB Staff:** JOB, KK, RT, SSh, MN