

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 18, 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 statutory limitation imposed on certain university systems to issue revenue bonds to fund facilities at certain institutions of higher education.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB1967, As Introduced: a negative impact of (\$13,447,325) through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$5,666,996)
2011	(\$7,780,329)
2012	(\$7,781,196)
2013	(\$7,779,196)
2014	(\$7,779,796)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2010	(\$5,666,996)
2011	(\$7,780,329)
2012	(\$7,781,196)
2013	(\$7,779,196)
2014	(\$7,779,796)

Fiscal Analysis

The bill would remove 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. 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.

Under provisions of the bill, 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 Texas A&M University System bonds would be issued on September 1, 2009 and the University of North Texas bonds would be issued on September 1, 2010.

Methodology

The debt service calculations were based on a six percent interest rate and a 20-year debt service amorization. Based on these assumptions, the debt service calculations for fiscal year 2010 is estimated to be \$5,666,996 and for fiscal year 2011 is estimated to be \$7,780,329.

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

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