

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

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

**April 28, 2009**

**TO:** Honorable Vicki Truitt, Chair, House Committee on Pensions, Investments & Financial Services

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

**IN RE: HB4591** by Alonzo (Relating to the issuance of general obligation bonds to provide funding to develop and maintain research universities in this state of the highest tier.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4591, As Introduced: a negative impact of (\$29,570,833) 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	\$0
2011	(\$29,570,833)
2012	(\$63,095,833)
2013	(\$95,645,833)
2014	(\$127,220,833)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2010	\$0
2011	(\$29,570,833)
2012	(\$63,095,833)
2013	(\$95,645,833)
2014	(\$127,220,833)

**Fiscal Analysis**

Under provisions of the bill, the Higher Education Coordinating Board shall direct the Texas Public Finance Authority to issue bonds in the amount necessary to provide funds appropriated by the Legislature to develop and maintain research universities in the state of the highest tier.

The bill would take effect January 1, 2010, but only if the constitutional amendment providing for the issuance of general obligation bonds to provide funding to develop and maintain research universities in this state of the highest tier is approved by the voters.

**Methodology**

Based on analysis of the Texas Public Finance Authority, the debt service estimates in the table above assume the issuance of \$3.0 billion in general obligation bonds, \$300 million of which would be

issued annually beginning in January 2010. The bonds would be issued one-half taxable at a 7% interest rate and one-half tax-exempt at a 6% interest rate. Each issuance assumes a 20 year level principal structure. The first payment would be in October 2010 and the second payment in April 2011 for a total fiscal year 2011 impact of \$29.6 million. The debt service payments would increase to \$63.0 million in fiscal year 2012 to \$127.2 million by fiscal year 2014.

Note: Article III, Section 49-j of the Texas Constitution limits the authorization of additional state debt if the percentage of debt service payable from the General Revenue Fund exceeds 5 percent of the average annual unrestricted General Revenue Fund revenues for the previous three fiscal years.

The \$3.0 billion in new general obligation bond authority to develop and maintain research universities in this state of the highest tier, contingent upon voter approval of House Joint Resolution 1, is assumed to be repaid with General Revenue Funds and to be not self-supporting general obligation debt. Therefore, these bonds would be factored into the state's constitutional debt limit.

As of the end of fiscal year 2008, the Bond Review Board estimates the constitutional debt limit for issued, and authorized but unissued debt, to be 4.09 percent. The Bond Review Board estimates that the passage of the bill would increase the constitutional debt limit by 0.74 percent for a total debt limit of 4.83 percent.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 347 Public Finance Authority, 352 Bond Review Board, 781 Higher Education Coordinating Board

**LBB Staff:** JOB, JRO, RT, GO, JJO