

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 17, 2009

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

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

IN RE: SB263 by Carona (Relating to the issuance by the Texas Transportation Commission of general obligation bonds for highway improvement projects.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB263, Committee Report 1st House, Substituted: a negative impact of (\$131,872,800) through the biennium ending August 31, 2011.

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
2010	(\$30,000,000)
2011	(\$101,872,800)
2012	(\$173,748,400)
2013	(\$245,620,000)
2014	(\$317,492,950)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2010	(\$30,000,000)
2011	(\$101,872,800)
2012	(\$173,748,400)
2013	(\$245,620,000)
2014	(\$317,492,950)

Fiscal Analysis

The bill would authorize the Texas Transportation Commission (TTC) to issue up to \$5 billion in general obligation bonds to fund state highway improvement projects under the authority of Section 49-p, Article III of the Texas Constitution. The bill would specify that proceeds of the bonds may not be used for purposes other than the payment of costs related to the bonds; highway improvement projects defined in the bill as acquisition of highway, construction, reconstruction and major maintenance; and providing a source of funding to the Texas Transportation Revolving Fund or similar fund if authorized by statute in order to make loans for improvement projects . The bill would require the Comptroller to pay the principal and interest and any costs related to the bonds that become due, including payments under credit agreements.

The bill would take effect immediately upon receiving a vote of two-thirds of all members elected to each house or otherwise on September 1, 2009.

Methodology

Based on the analysis of the Bond Review Board, the debt service estimates in the table above assume \$1 billion in general obligation bonds for highway improvement projects would be issued each year from fiscal year 2010 through fiscal year 2014 with a 6 percent interest rate and 30-year level debt service structure. The estimated debt service payments would increase to \$359.4 million in fiscal year 2015 and continue through fiscal year 2044.

Note: The \$5.0 billion in general obligation bonds for highway improvement projects, authorized by voters in the November 2007 election, is assumed to be repaid with General Revenue Funds. As not self-supporting general obligation debt, these bonds are currently factored into the state's constitutional debt limit. As of the end of fiscal year 2008, the constitutional debt limit for issued and unissued debt is 4.09 percent. As specified in Article III, Section 49-j of the Texas Constitution, the Legislature may not authorize debt if the maximum annual debt service in any fiscal year on state debt payable from the General Revenue Fund exceeds 5 percent of an amount equal to the average of the amount of General Revenue Fund revenues for the three preceding fiscal years. This limitation includes amounts for authorized but unissued bonds. The Bond Review Board estimates that if a 30-year amortization schedule is used for these bonds with a 6 percent interest rate, this bill would decrease the current 4.09 percent debt limit by 0.20 percent to 3.89 percent.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 352 Bond Review Board, 304 Comptroller of Public Accounts, 601 Department of Transportation

LBB Staff: JOB, MN, MW, TG, JJO