

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 13, 2011

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

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

IN RE: SB73 by Nelson (Relating to the removal of certain limitations on the debt issuance of the Cancer Prevention and Research Institute of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB73, As Introduced: a positive impact of \$13,563,933 through the biennium ending August 31, 2013.

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
2012	\$782,079
2013	\$12,781,854
2014	\$30,280,192
2015	\$40,447,198
2016	\$42,728,190

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Bond Proceed-Gen Obligat</i> 780
2012	\$782,079	(\$300,000,000)
2013	\$12,781,854	(\$300,000,000)
2014	\$30,280,192	(\$300,000,000)
2015	\$40,447,198	(\$300,000,000)
2016	\$42,728,190	(\$300,000,000)

Fiscal Analysis

The bill would amend Chapter 1232 of the Government Code to allow multiyear projects funded by the Cancer Prevention and Research Institute of Texas (CPRIT) to begin after the Texas Public Finance Authority (TPFA) certifies obligations in an amount sufficient to fund the project that has been authorized by TPFA's governing board and by the Bond Review Board; or after the proceeds have been deposited into the state treasury and the Comptroller has certified that the proceeds are available; and reserve funds and capitalized interest, and costs of issuance have been paid.

The bill would amend Chapter 102.257 of the Health and Safety Code to remove the requirement that funds for multiyear projects awarded by CPRIT be maintained in an escrow account and require CPRIT to distribute funds as needed.

The bill would take effect September 1, 2011 and any grants awarded for multiyear projects made from this date are governed by the law in effect on the date the grant was made, and the former law is continued in effect for that purpose.

Methodology

Based on information provided by TPFA, the estimated savings related to the provision in the bill which removes the escrow requirement for CPRIT debt is \$13,563,933 in General Revenue in the 2012-13 biennium. The bill would allow the debt issuance to be delayed until CPRIT needs the funds to reimburse grantees. The savings estimates could change based on actual interest rates, issuance schedules, and costs of issuance which could impact the long term cost of the debt.

It is assumed that the legislature would appropriate \$300,000,000 in General Obligation Bond Proceeds each fiscal year of the 2012-13 biennium and that the bond debt is issued as the funds are needed under the provisions of the bill, or on a staggered issuance schedule, for CPRIT agency operations and grant reimbursements. If the debt was issued under the provisions of the bill, the cost for the related debt service is estimated to be \$1,297,373 in fiscal year 2012 and \$7,770,064 in fiscal year 2013 out of General Revenue.

In comparison, assuming the legislature would appropriate \$300,000,000 in General Obligation Bond Proceeds each fiscal year of the 2012-13 biennium and the debt is issued under current law, the related debt service is estimated to be \$2,079,452 in fiscal year 2012 and \$20,551,918 in fiscal year 2013 out of General Revenue.

Other debt service assumptions for the debt service estimates above include the issuance of taxable debt at a six percent interest rate and a 20 year level principal repayment schedule.

It is anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources. However, it is uncertain if the language requiring certification by the Comptroller that reserve funds and capitalized interest and costs of issuance have been paid are consistent with the authority for CPRIT debt authorized by Article III, Section 67 of the Texas Constitution. Therefore, potential costs related to this provision in the bill, cannot be determined at this time.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 347 Public Finance Authority, 542 Cancer Prevention and Research Institute of Texas

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