

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 30, 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 and Prevention and Research Institute of Texas.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

Section 1: 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. The bill would require the TPFA Board to pay the costs of issuance and any related bond administrative costs of TPFA; certify to CPRIT and to the Comptroller that the proceeds are available; and deposit the proceeds into the state treasury to be credited to CPRIT's account.

Section 2: The bill would amend Chapter 102.201 of the Health and Safety Code to provide that appropriations made to the cancer prevention and research fund does not include cancer prevention and research related bond proceeds; and that this fund may be used for debt service related to cancer prevention and research bond proceeds.

Section 3: The bill would amend Chapter 102.257 of the Health and Safety Code to allow funds for multiyear projects awarded by CPRIT to be maintained in an escrow account to be distributed as needed. According to information provided by TPFA, TPFA estimates a savings of \$13,563,933 in General Revenue for the 2012-13 biennium resulting from delayed issuance of debt based on the following assumptions: CPRIT would be appropriated \$300,000,000 in General Obligation bond proceeds each fiscal year of the 2012-13 biennium; under the provision of the bill, CPRIT does not elect to escrow funds awarded for multiyear projects; and TPFA issues the debt as needed or on a staggered issuance schedule. Other debt service assumptions include the issuance of taxable debt at a six percent interest rate and a 20 year level principal repayment schedule. 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.

Section 4: The bill would provide that 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.

Section 5: The bill would take effect immediately if it receives a vote of two-thirds, otherwise the bill would take effect September 1, 2011. According to information provided by TPFA, a reduction in debt service requirements for the 2012-13 biennium from delaying the issuance of \$213,200,000 in general obligation bond proceeds that is anticipated to be issued in fiscal year 2011 for cancer related grants, would result in additional savings estimated to be \$19,753,278 in General Revenue for the 2012-13 biennium. The additional savings is based on the following assumptions: the bill took effect immediately; CPRIT does not elect to escrow funds awarded for multiyear projects; and TPFA issues the debt as needed, or on a staggered issuance schedule. 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 anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

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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