

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83rd LEGISLATURE 2nd CALLED SESSION - 2013

July 11, 2013

TO: Honorable Jim Pitts, Chair, House Committee on Appropriations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB5 by Branch (Relating to authorizing the issuance of revenue bonds to fund capital projects at public institutions of higher education; making an appropriation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB5, As Introduced: a negative impact of (\$175,000,000) through the biennium ending August 31, 2015.

Appropriations:

Fiscal Year	Appropriation out of <i>General Revenue Fund</i> 1
2014	\$0
2015	(\$175,000,000)

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	(\$175,000,000)
2016	(\$231,496,780)
2017	(\$231,491,580)
2018	(\$231,495,630)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2014	\$0
2015	(\$175,000,000)
2016	(\$231,496,780)
2017	(\$231,491,580)
2018	(\$231,495,630)

Fiscal Analysis

The bill would authorize the issuance of \$2.7 billion in tuition revenue bonds for institutions of higher education to finance construction and improvement of infrastructure and related facilities. The bill includes authorization of \$628.8 million for the Texas A&M System, \$928.7 million for the University of Texas System, \$252.8 million for the University of Houston System, \$213.6 million for the Texas State University System, \$266.2 million for the University of North Texas System, \$215.4 million for the Texas Tech University System, \$38.0 million for Texas Woman's University, \$24.0 million for Midwestern State University, \$40 million for Stephen F Austin University, \$52.8 million for Texas Southern University and \$43.6 million for the TSTC System.

Under provisions of the bill, \$175 million in general revenue would be appropriated to the comptroller of public accounts for the state fiscal year ending August 31, 2015 (Fiscal Year 2015) for distributions to institutions of higher education and university systems for debt service on revenue bonds authorized by the bill in accordance with calculations made by the Legislative Budget Board. The bill would take effect on the 91st day after the last day of the legislative session. The bill requires the Legislative Budget Board to make initial calculations and notify the comptroller and the applicable institutions of higher education and university systems of the respective shares to be distributed as soon as practicable

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.

Methodology

For purposes of this fiscal note it is assumed that institutions would not issue bonds until they receive a distribution of related debt service. Therefore it is assumed that costs associated with the bill would begin in fiscal year 2015 in the amount of \$175.0 million. For fiscal year 2016 through fiscal year 2018 the cost estimates are based on information provided by the system offices, institutions and the Texas Public Finance Authority which is included below.

Based on calculations prepared by the Texas A&M University System the amount of debt service payments would be \$54.8 million beginning in fiscal year 2016. These calculations were based on a 6 percent interest rate with a 20-year level debt service amortization.

Based on calculations prepared by The University of Texas System the amount of debt service payments would be \$81.0 million per year beginning in fiscal year 2016. These calculations were based on a 6 percent interest rate with a 20-year level debt service amortization.

Based on calculations prepared by the University of Houston System the amount of debt service payments would be \$22 million per year beginning in fiscal year 2016. These calculations were based on a 6 percent interest rate with a 20-year level debt service amortization.

Based on calculations prepared by the Texas State University System the amount of debt service payments would be \$15.8 million beginning in fiscal year 2016. These calculations were based on a 4 percent interest rate with a 20-year level debt service amortization.

Based on calculations prepared by the University of North Texas System the amount of debt service payments would be \$22.9 million beginning in fiscal year 2016. These calculations were

based on a 6 percent interest rate with a 20-year level debt service amortization.

Based on calculations prepared by Texas Woman's University the amount of debt service payments would be \$2.8 million beginning in fiscal year 2016. These calculations were based on a 4 percent interest rate with a 20-year level debt service amortization.

Based on calculations prepared by the Texas Public Finance Authority, the amount of debt service payments for the authorization for Midwestern State University would \$2.1 million per year beginning in fiscal year 2016. These calculations were based on a 6 percent interest rate with a 20-year level debt service amortization.

Based on calculations prepared by Stephen F. Austin the amount of debt service payments would be \$3.5 million beginning in fiscal year 2016. These calculations were based on a 6 percent interest rate with a 20-year level debt service amortization.

Based on calculations prepared by the Texas Tech University System the amount of debt service payments would be \$18.8 million beginning in fiscal year 2016. These calculations were based on a 6 percent interest rate with a 20-year level debt service amortization.

Based on calculations prepared by Texas Public Finance Authority the amount of the debt service payments for the authorization for Texas Southern University would be \$4.5 million beginning in fiscal year 2016. These calculations were based on a 6 percent interest rate with a 20-year level debt service amortization.

Based on calculations prepared by the Texas State Technical College System the amount of debt service payments would be \$3.4 million beginning in fiscal year 2016. These calculations were based on a 4.5 percent interest rate with a 20-year level debt service amortization.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 347 Public Finance Authority, 710 Texas A&M University System Administrative and General Offices, 717 Texas Southern University, 719 Texas State Technical College System Administration, 720 The University of Texas System Administration, 731 Texas Woman's University, 755 Stephen F. Austin State University, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board

LBB Staff: UP, KK, SK, GO