

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 1, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2002** by Otto (Relating to a limit on state reimbursement to public institutions of higher education for debt service on tuition revenue bonds.), **As Introduced**

**Due to potential actions by rating agencies, the fiscal implications of the bill cannot be determined at this time but are not expected to be significant.**

This bill would implement a recommendation in the report "Limit State Financial Liability and Increase Debt Service Transparency for Tuition Revenue Bonds" in the Legislative Budget Board's Government Effectiveness and Efficiency Report, submitted to the Eighty-third Texas Legislature, 2013.

The bill would amend the Education Code, Chapter 55 to prohibit the Legislature from appropriating tuition revenue bond (TRB) debt service reimbursements in excess of 1.25 percent to the three-year average of unrestricted General Revenue. The bill would apply this limit to debt service amounts for issued debt and authorized but unissued debt. The bill would require the Bond Review Board to calculate the limit using appropriations numbers from the Legislative Budget Board and estimates for unissued debt.

LBB staff estimate at the end of fiscal year 2012 the state had a ratio 0.77 percent of TRB debt service appropriations to the three-year average of unrestricted General Revenue. The limit proposed by the bill would meet all debt service needs for currently issued TRB debt. Based on the end of fiscal year 2012, LBB staff estimate that a 1.25 percent limit would provide an additional \$184.4 million in annual debt service capacity. Assuming a 20-year term, level debt service and a 6.0 percent interest rate, this translates to an estimated \$2.1 billion in additional TRB projects that the Legislature could authorize.

The Bond Review Board and the Texas Public Finance Authority indicate no fiscal impact as a result of changes made by the bill. The Texas Higher Education Coordinating Board indicates that any fiscal impact to the state cannot be determined at this time, but the agency anticipates that the bill would not have an immediate impact on institutions. The Comptroller of Public Accounts did not indicate a fiscal impact to the state as a result of changes made by the bill.

Institutions of higher education indicate a varied fiscal impact. The Texas State University System did not anticipate a fiscal impact. Other university systems including the University of Houston System, the University of Texas System, Texas Tech University System, and Texas A&M University System indicate potential cost increases if a credit rating agency downgrades a system's credit rating based on the appropriations limit proposed by the bill. Since any rating

agency actions cannot be known in advance, the fiscal impact relative to credit ratings and related interest costs 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, 352 Bond Review Board, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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