

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

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

**May 17, 2013**

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

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

**IN RE:** **SB16** by Zaffirini (relating to authorizing the issuance of revenue bonds to fund capital projects at public institutions of higher education.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB16, Committee Report 2nd House, Substituted: a negative impact of (\$450,206,975) through the biennium ending August 31, 2015.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	(\$220,558,676)
2015	(\$229,648,299)
2016	(\$229,643,999)
2017	(\$229,642,199)
2018	(\$229,647,149)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1</b>
2014	(\$220,558,676)
2015	(\$229,648,299)
2016	(\$229,643,999)
2017	(\$229,642,199)
2018	(\$229,647,149)

**Fiscal Analysis**

The bill would authorize the issuance of \$2.68 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 \$622.4 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, \$252.2 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.

The bill includes two contingency authorizations. The authorizations for the University of Texas System include a \$100 million project for the University of Texas at Brownsville. Bonds for this project may be issued only if the 83rd Legislature enacts legislation that becomes law creating or authorizing creation of a new component university of the University of Texas System that incorporates the facilities and programs of the University of Texas at Brownsville. The authorization for the TSTC System, includes a \$35 million project for the Ellis County Extension Center. Under provisions of the bill, the project could not be issued unless the 83rd Legislature enacts legislation that becomes law authorizing an extension center of the Texas State Technical College System in Ellis County.

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. For purposes of this fiscal note it is assumed that unless otherwise noted, the bonds would be issued on September 1, 2013.

The bill would only take effect if Senate Bill 1, 83rd Legislature, Regular Session and House Bill 1025, 83rd Legislature are enacted and become law and if Senate Joint Resolution 1, 83rd Legislature is approved by the legislature as necessary for any constitutional amendment proposed by that resolution to be submitted to the voters of this state.

## **Methodology**

Bonds for components of the Texas A&M University System are assumed to be issued on September 1, 2013, at a 6 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas A&M University System the amount of debt service payments would be \$54.3 million beginning in fiscal year 2014.

Bonds for components of the University of Texas System are assumed to be issued on September 1, 2013, at 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 2014.

Bonds for components of the University of Houston System are assumed to be issued on September 1, 2013 at 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 2014.

Bonds for components of the Texas State University System are assumed to be issued in January, 2014, at a 4 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 \$10.4 million for fiscal year 2014 and \$15.8 million in fiscal year 2015 through fiscal year 2018.

Bonds for components of the University of North Texas System are assumed to be issued on September 1, 2013, at a 6 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 \$21.6 million beginning in fiscal year 2014.

Bonds for Texas Woman's University are assumed to be issued on September 1, 2014, at a 4 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 2015.

Bonds for Midwestern State University are assumed to be issued on September 1, 2013, at a 6 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 would be \$1.1 million for fiscal year 2014 in the form of an interest only payment and \$2.1 million per year beginning in fiscal year 2015 for principal and interest.

The bonds for Stephen F. Austin State University are assumed to be issued on September 1, 2013, at a 6.00 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 2014.

The bonds for the Texas Tech University System are assumed to be issued on September 1, 2013, at 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 2014.

Bonds for Texas Southern University are assumed to be issued on September 1, 2013, at 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 would be \$4.5 million beginning in fiscal year 2014.

The bonds for the Texas State Technical College System are assumed to be issued on September 1, 2013, at a 4.5 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 \$3.4 million beginning in fiscal year 2014.

### **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, 735 Midwestern State University, 755 Stephen F. Austin State University, 758 Texas State University System, 768 Texas Tech University System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 352 Bond Review Board, 739 Texas Tech University Health Sciences Center, 769 University of North Texas System Administration

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