LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 16, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

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 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB16, Committee Report 1st House, Substituted: a negative impact of ($339,718,815) 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	($165,056,101)
2015	($174,662,714)
2016	($174,672,290)
2017	($174,660,298)
2018	($174,668,009)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *GENERAL REVENUE FUND* 1	Probable Savings/(Cost) from *INSTITUTIONAL FUNDS* 8888
2014	($165,056,101)	($34,620,642)
2015	($174,662,714)	($34,620,642)
2016	($174,672,290)	($34,620,642)
2017	($174,660,298)	($34,620,642)
2018	($174,668,009)	($34,620,642)

Fiscal Analysis

The bill would authorize the issuance of $2.45 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 $694.2 million for the University of Texas System, $640.7 million for the Texas A&M System, $257.0 million for the University of Houston System, $224.3 million for the Texas State University System, $209.6 million for the University of North Texas System, $228.2 million for the Texas Tech University System, $38.0 million for Texas Woman's University, $30.0 million for Midwestern State University, $50.0 million for Stephen F Austin University, $66.0 million for Texas Southern University and $9.5 million for the TSTC System. The bill includes specific requirements that certain projects for the Texas A&M University System must be supported in an amount equal to one-half of the project through additional funds available to the system. The bill includes specific requirements that certain projects for the University of Texas System must be solely supported through additional funds available to the system. If these conditions are not met, the respective systems can not issue bonds for any of the projects authorized in the bill.

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. It is also assumed that Texas A&M University System and the University of Texas System will provide additional funds to support the debt service for the conditional projects as required by the bill. These funds are represented by the Institutional Funds in the table above.

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 $46.1 million beginning in fiscal year 2014. In addition to these debt service amounts, it is also assumed that Texas A&M System would satisfy the requirements of the bill regarding the additional funds for certain projects by providing debt service payments estimated to be $9.7 million per year in Institutional Funds for these projects 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 $35.7 million per year beginning in fiscal year 2014. In addition to these debt service amounts, it is also assumed that the University of Texas System would satisfy the requirements of the bill regarding the additional funds for certain projects by providing debt service payments for these projects by providing debt service amounts estimated to be $24.9 million per year in Institutional Funds 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 $22.4 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 $10.9 million for fiscal year 2014 and $16.4 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 $18.0 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 $1.3 million for fiscal year 2014 in the form of an interest only payment and $2.6 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 $4.4 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 $19.9 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 $5.6 million beginning in fiscal year 2014.

Bonds for Texas State Technical College System are assumed to be issued on September 1, 2013, at a 4.25 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 $0.7 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, 352 Bond Review Board, 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, 739 Texas Tech University Health Sciences Center, 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, 783 University of Houston System Administration

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