LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 5, 2015

TO: Honorable Joseph Pickett, Chair, House Committee on Transportation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB122** by Pickett (Relating to the Texas Mobility Fund.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB122, As Introduced: an impact of $0 through the biennium ending August 31, 2017.

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
2016	$0
2017	$0
2018	$0
2019	$0
2020	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Texas Mobility Fund* 365
2016	$0
2017	($146,821,250)
2018	$5,250,000
2019	($236,729,167)
2020	$14,000,000

Fiscal Analysis

The bill would amend the Transportation Code to specify that the Texas Transportation Commission may not issue obligations under Section 49-k, Article III, Texas Constitution (Texas Mobility Fund) after January 1, 2015. The bill would expand the authorized use of excess money in the Texas Mobility Fund (TMF) to include repayment of principal and interest (debt service) on short-term notes under Texas Constitution, Article III, Sec. 49-m; revenue obligations payable from the State Highway Fund under Texas Constitution, Article III, Sec. 49-n (Proposition 14 Bonds); and (3) general obligation (GO) bonds and under Texas Constitution, Article III, Sec. 49-p (Proposition 12 GO Bonds). The use of excess amounts in the TMF to pay debt service on these other obligations would only be authorized to the extent that the proceeds of these other obligations are used for the purposes authorized for the TMF described by Transportation Code, Sec. 201.943 (d).

The bill would take effect immediately upon receiving a vote of two-thirds of all members elected to the House and Senate or otherwise on September 1, 2015.

Methodology

The provisions of the bill would prohibit the Texas Transportation Commission and the Department of Transportation (TxDOT) from issuing bonds and entering into credit agreements payable from money in the TMF after January 1, 2015.

Based on the information and analysis provided by TxDOT, it is assumed TxDOT would be required to pay off certain outstanding variable rate TMF bonds prior to the original maturity date upon expiration of the credit agreement in fiscal year 2017. According to information provided by TxDOT, this is due to the inability to replace the credit agreement and on the mandatory tender date in fiscal year 2019, as well as the inability to refund the bonds if the market is unwilling to accept the bonds with their current terms after the effective date of the bill. The probable savings and costs from the Texas Mobility Fund 365 shown in the table above reflect TxDOT's estimated costs of $150 million in fiscal year 2017 and $250 million in fiscal year 2019 to pay off the variable rate bonds ($400 million total cost) and savings from interest costs avoided, estimated to be $3.7 million in beginning in fiscal year 2017 and increasing to a savings of $14 million in fiscal year 2020. TxDOT estimates total savings from interest costs avoided from the early repayment of outstanding variable rate TMF bonds would be $339 million over the life of those bonds.

As of February 2015 the TMF bond program is at its statutorily authorized debt capacity, and TxDOT reports that no additional new money TMF bond issuances are planned for fiscal years 2015 through 2017. However, TxDOT assumes an additional $900 million in additional bond capacity would be available to fund transportation projects in fiscal year 2018 under current law. TxDOT estimates the amount of debt service costs that would be avoided by not issuing $900 million in additional TMF obligations in fiscal year 2018 would result in savings from debt service costs avoided, totaling $1.15 billion over the life of the bonds (30-year maturity). The potential loss of additional funds from proceeds from the sale of new TMF bonds that could have been issued under current law and the associated savings to the Texas Mobility Fund 365 from debt service costs avoided are not included in the table above.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 601 Department of Transportation

LBB Staff: UP, AG, NV, TG