

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 28, 2015

TO: Honorable John Zerwas, Chair, House Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HJR115 by Turner, Sylvester (Proposing a constitutional amendment to entitle the University of Houston to participate in the income and other benefits of the permanent university fund.), **As Introduced**

No significant fiscal implication to the State is anticipated, other than the cost of publication.

The cost to the state for publication of the resolution is \$118,681.

The resolution would result in a significant reallocation of annual Available University Fund distributions from The University of Texas System to the University of Houston.

The resolution would amend the Texas Constitution to entitle the University of Houston to participate in the income and other benefits of the Permanent University Fund (PUF).

The resolution would authorize the University of Houston to issue bonds and notes not to exceed a total amount of 10 percent of the cost value of the investment and other assets of the PUF at the time of issuance for the purpose of capital construction projects at or for the University of Houston as stipulated under the provisions of the resolution. The resolution would allow the University of Houston to pledge all or part of the institution's share of the annual distribution from the PUF to the Available University Fund (AUF) to secure the payment on the principal and interest of those bonds and notes.

The resolution would dedicate one-third of the annual distribution from the PUF to the AUF to the University of Houston, in an amount sufficient to pay the principal and interest of any PUF-backed bonds and notes issued by the University of Houston and the principal and interest of bonds and notes previously issued by the University of Houston under Article VII, Section 17, Texas Constitution. The remainder of the one-third distribution would be appropriated for the support and maintenance of the University of Houston.

The resolution would reduce the authorized level of bond and note issuance for The University of Texas (UT) System from a level not to exceed 20 percent to a level not to exceed 10 percent of the cost value of the investment and other assets of the PUF at the time of issuance. The resolution would also reduce the UT System share of the annual distribution from the PUF to the AUF from two-thirds of the distribution to one-third of the distribution. The resolution would require that UT System receive an annual AUF distribution necessary to pay the principal and interest due on PUF-backed bonds and notes issued by the UT System Board of Regents before September 1, 2015, not to exceed two-thirds of the annual distribution from the PUF. The resolution would require the annual distribution to the University of Houston to be adjusted accordingly.

The resolution would make the University of Houston ineligible to receive appropriations from the Higher Education Fund and would reallocate any appropriations from the Higher Education Fund to the University of Houston to the remaining eligible institutions beginning in fiscal year 2016, contingent on the passage of the constitutional amendment proposed by the 84th Legislature, 2015.

It is assumed there would be no net change in the distribution from the PUF to the AUF under the provisions of the resolution. Based on information provided by UT System, reducing the UT System share of the annual distribution from the PUF to the AUF by one-third would result in an estimated annual revenue loss of \$268.8 million to \$347.3 million per year from fiscal year 2016 to fiscal year 2020. There would be a corresponding revenue gain to the University of Houston beginning in fiscal year 2016.

Based on information provided by UT System, reducing the authorized level of bond and note issuance to 10 percent of the value of the PUF would restrict UT System from issuing any additional PUF-backed debt for the foreseeable future, resulting in a significant decrease in the amount of capital projects that could be financed for UT System.

It is assumed there would be no net change in General Revenue for the Higher Education Fund under the provisions of the resolution, but there would be a redistribution of Higher Education Fund appropriations to the remaining eligible institutions in an amount equal to the reduction in Higher Education Fund appropriations for the University of Houston.

The proposed amendment would be submitted to voters at an election to be held November 3, 2015.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 710 Texas A&M University System Administrative and General Offices,
720 The University of Texas System Administration, 783 University of
Houston System Administration

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