

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**March 31, 2015**

**TO:** Honorable Kel Seliger, Chair, Senate Committee on Higher Education

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

**IN RE: SB150** by Seliger (Relating to authorizing the issuance of revenue bonds to fund capital projects at public institutions of higher education; making an appropriation.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB150, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

The bill also appropriates \$2.86 billion from the Economic Stabilization Fund to the Comptroller of Public Accounts for distribution to institutions of higher education and university systems for debt service on revenue bonds; if the necessary voting margin is not achieved, the appropriation would be from General Revenue.

**Appropriations:**

Fiscal Year	Appropriation out of <i>Economic Stabilization Fund</i> 599
2016	\$2,860,000,000
2017	\$0

**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:

<b>Fiscal Year</b>	<b>Probable (Cost) from <i>Economic Stabilization Fund</i> 599</b>	<b>Probable Revenue (Loss) from <i>Economic Stabilization Fund</i> 599</b>	<b>Probable Revenue (Loss) from <i>State Highway Fund</i> 6</b>
2016	(\$2,860,000,000)	(\$22,118,000)	(\$140,686,000)
2017	\$0	(\$27,540,000)	\$0
2018	\$0	(\$27,817,000)	\$0
2019	\$0	(\$28,096,000)	\$0
2020	\$0	(\$45,304,000)	\$0

## Fiscal Analysis

The bill would authorize the issuance of \$2.85 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 \$722.0 million for the Texas A&M System, \$826.4 million for the University of Texas System, \$387.1 million for the University of Houston System, \$246.0 million for the Texas State University System, \$224.1 million for the University of North Texas System, \$222.3 million for the Texas Tech University System, \$32.3 million for Texas Woman's University, \$51.9 million for Midwestern State University, \$49.3 million for Stephen F Austin University, \$59.7 million for Texas Southern University and \$33.4 million for the TSTC System.

The bill appropriates \$2.86 billion out of the Economic Stabilization Fund (ESF) to the comptroller of public accounts for the state fiscal biennium ending August 31, 2017, for distribution to institutions of higher education and university systems for debt service on revenue bonds. The appropriations out of the ESF would only take effect if the Act receives a vote of two-thirds of the members present in each house of the legislature, as provided by Section 49-g(m), Article III, Texas Constitution. If the appropriation out of the ESF does not take effect, the amount of \$2.86 billion is appropriated out of the General Revenue Fund to the comptroller of public accounts for the state fiscal biennium ending August 31, 2017, for distribution to institutions of higher education and university systems for debt service on revenue bonds authorized by this Act.

## Methodology

This analysis assumes that \$2.86 billion would be appropriated from the ESF to the Comptroller of Public Accounts. This appropriation from the ESF would reduce the ESF balance and reduce interest earnings credited to the fund. In addition, the fiscal 2016 transfer to the State Highway Fund would be decreased by an estimated \$140,686,000 because the ESF balance would fall below the \$7.0 billion sufficient balance in that year.

Tuition revenue bonds are not general obligations of the state. Historically, however, the Legislature has appropriated General Revenue to reimburse institutions for the tuition used to pay the debt service. If institutions instead received the amount of \$2.86 billion in GR the 2016-17 biennium it could be classified as not self-supporting debt and count against the Constitutional Debt limit. Furthermore, the Texas Constitution (Art. 7, Sec. 17(j) and 18(i)) creates limitations to the use of General Revenue for permanent improvements at systems and institutions of higher education.

If the state appropriated General Revenue to reimburse institutions the cost of related tuition revenue bond debt service, based on debt service estimates provided by university systems, institutions of higher education, and the Texas Public Finance Authority, the estimated debt

service amounts would be \$246.4 million in fiscal year 2016 and \$248.7 million in fiscal year 2017.

### **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, 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, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

**LBB Staff:** UP, EMu, DEH, GO, KK