

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**May 3, 2019**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HJR12** by Zerwas (Proposing a constitutional amendment authorizing the legislature to increase the maximum bond amount authorized for the Cancer Prevention and Research Institute of Texas.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HJR12, As Engrossed: a negative impact of (\$12,477,289) through the biennium ending August 31, 2021.

The cost to the state for publication of the resolution is \$177,289.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2020	(\$177,289)
2021	(\$12,300,000)
2022	(\$42,497,191)
2023	(\$78,349,657)
2024	(\$113,105,767)

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

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund</b>
2020	(\$177,289)
2021	(\$12,300,000)
2022	(\$42,497,191)
2023	(\$78,349,657)
2024	(\$113,105,767)

## **Fiscal Analysis**

The joint resolution would amend the Texas Constitution to increase the authorized limit of general obligation bonds that the Texas Public Finance Authority (TPFA) is authorized to provide for, issue, and sell on behalf of the Cancer Prevention and Research Institute of Texas (CPRIT) from \$3.0 billion to \$6.0 billion.

The proposed constitutional amendment would be submitted to voters at an election to be held November 5, 2019.

## **Methodology**

The resolution would provide for the issuance of bonds limited to not more than \$3 billion total and not more than \$300 million each fiscal year. Analysis provided by the Bond Review Board assumes debt issued under this new Section 68 of Article III of the Texas Constitution would be categorized as not self-supporting and thus be repaid directly from the state's General Revenue Fund. As such, this debt would be included in the calculation of the Constitutional Debt Limit (CDL).

As of fiscal year-end 2018, the CDL is calculated to be 2.20% including all outstanding and authorized but unissued not self-supporting debt. Based on assumptions used for the fiscal year end 2018 CDL, the authorization of \$3 billion of additional debt would increase the ratio of not self-supporting debt to the rolling three-year average of unrestricted general revenues by approximately 49 basis points (0.49%).

This analysis assumes CPRIT will be extended past its scheduled sunset date of September 1, 2023.

In addition to the constitutional limit on yearly issuance of bond funds, statute limits CPRIT to awarding no more than \$300.0 million in grants each fiscal year. Currently, CPRIT has \$150.0 million in unappropriated bond authority and \$286.0 million in unexpended previously appropriated authority that has gone unencumbered available for the 2020-21 biennium. This analysis assumes that this \$436.0 million in available funding will be issued in the 2020-21 biennium before any new general obligation bond proceeds are issued. Assuming \$300.0 million of this existing authority will be appropriated in fiscal year 2020 and \$136.0 million will be appropriated in 2021, \$164.0 million in capacity will be available for the issuance of new bond authority in fiscal year 2021. In subsequent years, it is assumed that the full \$300.0 million in allowable issuances will be made each fiscal year.

As this debt is considered not-self supporting and will be repaid directly from general revenue, this analysis assumes debt service payments based on the issuance of this new debt. Based on information provided by TPFA and the Bond Review Board, this analysis assumes a 7.5 percent interest on all bonds and an issuance schedule as previously discussed beginning in 2021. Debt service payments are estimated to begin in fiscal year 2021.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 347 Public Finance Authority, 352 Bond Review Board, 542 Cancer Prevention and Research Institute of Texas

**LBB Staff:** WP, KK, AKi, NV, JSm, LLo