

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 2, 2019

TO: Honorable John Zerwas, Chair, House Committee on Appropriations

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

IN RE: HJR145 by Davis, Sarah (Proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to political subdivisions located in areas of the state affected by a disaster.), **As Introduced**

There would be a negative fiscal impact to the state depending on the amount, timing, and structure of general obligation bonds issued under provisions of the bill. Those factors cannot be determined at this time.

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

This resolution would propose an amendment to Article III of the Texas Constitution, adding Section 49-q regarding the issuance of general obligation bonds for financial assistance to political subdivisions affected by disaster.

The amendment would allow the Disaster Reinvestment and Infrastructure Planning Board to issue general obligation bonds in an amount not to exceed \$500 million. Bond proceeds would be deposited into the Disaster Reinvestment and Infrastructure Planning Fund, and bond expenses would be paid from the fund. Note: The Disaster Reinvestment and Infrastructure Planning Board is not defined in statute, the Constitution, or any pending legislation (HB 274 creates the Disaster Reinvestment and Infrastructure Planning Fund, but only refers to the Water Development Board.

The fiscal impact of the resolution cannot be estimated because the amount and structure of bonds that might be issued in future years is unknown, except that the bond issuance is limited to \$500 million. As an illustrative example, the Bond Review Board estimates the debt service costs would be \$96.9 million in the 2020-21 biennium based on the following assumptions: (1) the bonds will be backed by the general revenues of the state; (2) the bonds will have a twenty-year maturity; (3) a fixed interest rate of 6% for fiscal year 2020 and beyond; (4) the bonds are issued in \$5,000 increments; (5) all bonds authorized under this bill will be issued in the amount of \$500,000,000 on November 5, 2019 with principal payments every August 1, and semi-annual interest payments every February 1 and August 1, beginning February 1, 2020; (6) cost of issuance and bond insurance fees are excluded; and (7) approximate level-principal payments throughout the life of the bonds.

Article III, Section 49-j of the Texas Constitution limits the authorization of additional state debt if the percentage of debt service payable from the General Revenue Fund exceeds 5 percent of the average annual unrestricted General Revenue for the previous three fiscal years. At the end of fiscal year 2018, the Bond Review Board estimates the constitutional debt limit for issued, and

authorized but unissued debt to be 2.20 percent. For illustrative purposes, the Bond Review Board estimates that an additional authorization of \$0.5 billion in not self-supporting general obligation bond authority would increase the ratio for issued debt, and authorized but unissued debt, by 0.08 percent.

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

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 352 Bond Review Board

LBB Staff: WP, KK