

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

**FISCAL NOTE, 87TH LEGISLATURE 3rd CALLED SESSION 2021**

**October 16, 2021**

**TO:** Honorable Greg Bonnen, Chair, House Committee on Appropriations

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: SB52** by Creighton (Relating to authorizing the issuance of revenue bonds to fund capital projects at public institutions of higher education.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB52, As Engrossed : a negative impact of (\$296,244,817) through the biennium ending August 31, 2023.

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:**

<i>Fiscal Year</i>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2022	(\$50,959,373)
2023	(\$245,285,444)
2024	(\$245,997,165)
2025	(\$245,997,240)
2026	(\$245,900,015)

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

<i>Fiscal Year</i>	<b>Probable Savings/(Cost) from GENERAL REVENUE FUND 1</b>
2022	(\$50,959,373)
2023	(\$245,285,444)
2024	(\$245,997,165)
2025	(\$245,997,240)
2026	(\$245,900,015)

**Fiscal Analysis**

The bill would authorize the issuance of \$3.1 billion in tuition revenue bonds for institutions of higher education to finance construction and improvement of infrastructure and related facilities. The bill includes authorizations of \$641.8 million for the Texas A&M System, \$654.4 million for the University of Texas System, \$328.1 million for the University of Houston System, \$376.3 million for the Texas State University System, \$337.4 million for the University of North Texas System, \$108.0 million for Texas Woman's University, \$53.0 million for Stephen F. Austin University, \$256.0 million for the Texas Tech University System, \$95.2 million for Texas Southern University and \$208.5 million for the Texas State Technical System.

The bonds would not be general obligations of the State. However, the issued bonds would have fiscal implications for the State. Historically, the Legislature has appropriated General Revenue to reimburse institutions for the tuition used to pay the debt service. Other funds could also be appropriated for this purpose.

The bill amends Education Code by stating that certain funds allocated from the appropriation of general revenue to an institution of higher education to supplement revenue funds of the institution may be designated as "Capital Construction Assistance Projects."

## **Methodology**

The information included below was provided by institutions of higher education based on debt service schedules for projects authorized in the bill. In some cases, institutions reported that debt service payments would begin in fiscal year 2022, while other institutions reported that the debt service payments would begin in fiscal year 2023.

Bonds for components of the Texas A&M University System would be issued at a 6.0 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas A&M University System, the amount of debt service payments would be \$56.0 million beginning in fiscal year 2023.

Bonds for components of the University of Texas System would be issued at a 4.0 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by The University of Texas System, the amount of debt service payments would be \$48.2 million per year beginning in fiscal year 2023.

Bonds for components of the University of Houston System would be issued at a 6.0 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the University of Houston System, the amount of debt service payments would be \$28.6 million per year beginning in fiscal year 2022.

Bonds for components of the Texas State University System would be issued at a 4.0 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas State University System, the amount of debt service payments would be \$27.7 million per year beginning in fiscal year 2023.

Bonds for components of the University of North Texas System would be issued at a 4.0 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the University of North Texas System, the amount of debt service payments would be \$25.0 million beginning in fiscal year 2023.

Bonds for Texas Woman's University would be issued at a 6.0 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by Texas Woman's University, the amount of debt service payments would be \$4.6 million in fiscal year 2022 and \$9.2 million beginning in fiscal year 2023.

Bonds for Stephen F. Austin State University would be issued at a 6.0 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by Stephen F. Austin, the amount of debt service payments would be \$4.6 million beginning in fiscal year 2023.

Bonds for the Texas Tech University System would be issued at a 5.0 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas Tech University System, the amount of debt service payments would be \$20.5 million beginning in fiscal year 2023.

Based on information provided by the Texas Public Finance Authority, which issues bonds for Texas Southern University, bonds for Texas Southern University would be issued at a 6.25 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas Public Finance Authority, the amount of debt service payments would be \$7.8 million for fiscal year 2023 and \$8.5 million in subsequent years.

Bonds for Texas State Technical College System would be issued at a 6.0 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas State Technical College System, the amount of debt service payments would be \$17.7 million beginning in fiscal year 2022.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 347 Public Finance Authority, 352 Bond Review Board, 710 Texas A&M Univ System Admin, 717 Texas Southern University, 719 TSTC System Admin, 720 UT Sys Admin, 731 Texas Woman's University, 755 Stephen F. Austin State University, 758 Texas State University System, 768 Texas Tech Univ Sys Admin, 769 UNT System Administration, 781 Higher Education Coordinating Board, 783 Univ of Houston Sys Admin

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