

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 1, 2021

TO: Honorable Jim Murphy, Chair, House Committee on Higher Education

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1530 by Murphy (relating to authorizing the issuance of revenue bonds to fund capital projects at public institutions of higher education.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1530, Committee Report 1st House, Substituted : a negative impact of (\$685,080,961) 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>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$340,429,749)
2023	(\$344,651,212)
2024	(\$344,650,425)
2025	(\$344,649,545)
2026	(\$344,645,869)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from GENERAL REVENUE FUND 1</i>
2022	(\$340,429,749)
2023	(\$344,651,212)
2024	(\$344,650,425)
2025	(\$344,649,545)
2026	(\$344,645,869)

Fiscal Analysis

The bill would authorize the issuance of \$4.3 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 \$877.5 million for the Texas A&M System, \$1,391.6 million for the University of Texas System, \$422.0 million for the University of Houston System, \$363.0 million for the Texas State University System, \$416.0 million for the University of North Texas System, \$361.1 million for the Texas Tech University System, \$108.0 million for Texas Woman's University, \$41.0 million for Midwestern State University, \$53.0 million for Stephen F. Austin University, \$84.2 million for Texas Southern University and \$154.9 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. For purposes of this fiscal note it is assumed that the bonds would be issued on September 1, 2021.

Methodology

Bonds for components of the Texas A&M University System are assumed to be issued on September 1, 2021, 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 \$76.5 million beginning in fiscal year 2022.

Bonds for components of the University of Texas System are assumed to be issued on September 1, 2021, 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 \$102.4 million per year beginning in fiscal year 2022.

Bonds for components of the University of Houston System are assumed to be issued on September 1, 2021 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 \$36.8 million per year beginning in fiscal year 2022.

Bonds for components of the Texas State University System are assumed to be issued September 1, 2021, at a 3.5 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 \$25.5 million per year beginning in fiscal year 2022.

Bonds for components of the University of North Texas System are assumed to be issued on September 1, 2021, at a 6.0 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 \$36.5 million beginning in fiscal year 2022.

Bonds for Texas Woman's University are assumed to be issued on September 1, 2021, 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 \$9.2 million beginning in fiscal year 2022.

Bonds for Midwestern State University are assumed to be issued on September 1, 2021, at a 5.25 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas Public Finance Authority, which issues bonds for Midwestern State University, the amount of debt service payments would be \$1.6 million for fiscal year 2022 in the form of an interest only payment, and \$3.3 million beginning in fiscal year 2023 for principal and interest.

Bonds for Stephen F. Austin State University are assumed to be issued on September 1, 2021, 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 2022.

Bonds for Texas Southern University are assumed to be issued on September 1, 2021, at a 6.0 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by the Texas Public Finance Authority, which issues bonds for Texas Southern University, the amount of debt service payments would be \$5.0 million for fiscal year 2022 and \$7.6 million beginning in fiscal year 2023.

Bonds for the Texas Tech University System are assumed to be issued on September 1, 2021, 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 \$29.0 million beginning in fiscal year 2022.

Bonds for Texas State Technical College System are assumed to be issued on September 1, 2021, 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 \$13.2 million beginning in

fiscal year 2022.

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 Univ System Admin, 717 Texas Southern University, 719 TSTC System Admin, 720 UT Sys Admin, 731 Texas Woman's University, 735 Midwestern State University, 739 TX Tech Univ Hlth Sci Ctr, 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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