

SUBJECT: Authorizing revenue bonds for higher education projects

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 7 ayes — Rangel, F. Brown, Farabee, J. Jones, E. Reyna, Uher, West
0 nays
2 absent — Goolsby, Morrison

WITNESSES: None

DIGEST: CSHB 658 would amend Education Code, ch. 55 to authorize the issuance of up to \$960 million in revenue bonds for the following institutions of higher education and university systems (for details, see the attachment in NOTES):

Texas A&M University System (up to \$242.7 million allocated to A&M at Prairie View, Tarlton, Commerce, Corpus Christi, A&M International, Galveston, Kingsville, Texarkana, West Texas A&M, A&M Health Science Center);

University of Texas System (up to \$236.6 million allocated to UT Arlington, Brownsville, Dallas, El Paso, Pan American, UT Permian Basin, San Antonio, Tyler);

University of Houston (up to \$108.8 million);

Texas State University System (up to \$108.1 allocated to Angelo State, Lamar at Beaumont, Orange and Port Arthur, Lamar Institute of Technology, Sam Houston State, Southwest Texas State, Sul Ross State);

University of North Texas (up to \$29.0 million);

University of North Texas Health Science Center (up to \$22.3 million)

Texas Women's University (up to \$27.3 million)

Midwestern State University (up to \$8.4 million)

Stephen F. Austin State University (up to \$10.8 million)

Texas Tech University (up to \$12.4 million)

Texas Tech Health Science Center (up to \$64.2 million)

Texas Southern University (up to \$79 million)

Texas State Technical College (up to \$11.5 million allocated to Harlingen, Marshall, Waco, West Texas)

Use of bond proceeds would be for the purpose of providing funds to acquire, purchase, construct, improve, renovate, enlarge/or equip property, buildings, structures, facilities, roads or related infrastructure.

University or system boards could pledge all or part of the institution's revenue, including student tuition charges, for bond payment. University systems also would be authorized to transfer funds among institutions to meet debt obligations and to ensure the most equitable and efficient allocation of resources to meet statutory and constitutional duties.

Any portion of the bond proceeds authorized for a specific project at an institution could be used to renovate existing structures and facilities at the institution.

Bonds authorized for the allocation to Prairie View A&M for construction of a juvenile justice building and to Texas Southern University for campus renovations and to construct a building at the school of public affairs could not be issued before March 1, 2003.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

**SUPPORTERS
SAY:**

CSHB 658 would help universities serve growing enrollments by constructing new or renovating existing facilities to utilize up-to-date technologies and meet modern education demands to keep them competitive in the higher education marketplace. The bonds authorized would be pledged against university revenues and therefore pose little financial risk to the state.

Revenue bonds are the most cost-effective way to finance high-cost construction or improvement of long-lasting infrastructure, which may be utilized while the debt is being paid off. Authorizing revenue bonds would give Texas higher education institutions much needed support without diverting available general revenue from other state priorities and without increasing state debt.

Operating costs for renovated facilities would be partially offset by savings in utility and maintenance costs due to improved construction or energy systems, and the construction of new buildings would eliminate enormous lease costs being paid by some universities.

CSHB 658 would *not* appropriate general revenue to the affected universities. However, if the Legislature continues its practice of reimbursing institutions for debt service, affordability and accessibility to higher education would be protected because fee increases to cover bond debt would be minimized, and tuition and fee revenues would continue to be used to fund daily operational expenses.

The bond authorizations in CSHB 658 would continue to be reviewed after the House consideration as part of the on-going development of the state budget. CSHB 658 is fair and equitable and all of the capital projects that would be funded by the bond proceeds have been thoroughly reviewed and rated by the coordinating board, which evaluates the projects for need, cost, efficiency, and space use.

The coordinating board examined the projects with projected enrollment increases in mind, so the projects may not necessarily increase enrollment but rather accommodate enrollment the institution would experience anyway. If the coordinating board disagreed with the need for a project and determined it did not meet the required standards, it could notify the governor, the lieutenant governor and the speaker.

OPPONENTS
SAY:

CSHB 658 could increase the demand for more general revenue appropriations to higher education. Although CSHB 658 would authorize the payment of bond obligations from university revenues, the Legislature has traditionally reimbursed institutions for the debt service using general revenue appropriations. This could divert general revenue funds from other state priorities.

According to the bill's fiscal note, it is assumed that the bonds would be issued so that debt service first would be due on September 1, 2002, except for the specified bonds for Prairie View A&M and Texas Southern University, for which debt service would be due no earlier than September 1, 2003. During times of relative economic stability, it may not make good

sense to commit to \$91 million a year for the next 20 years when the state could have less revenue. About \$600 million in tuition revenue bonds were authorized in 1997, which are still being paid for. Also, the current funding formula does not include amounts for operations and maintenance costs related to additional facilities. Operations and maintenance costs are provided to higher education institutions based on a predicted square feet, not on actual square feet. However, if the increased space resulted in additional enrollment, it is possible that the predicted square feet, operations, and maintenance costs would increase.

NOTES:

The bill as filed authorized the issuance of revenue bonds only for the Texas A&M University System and the University of Houston System-Clear Lake. The committee substitute specified the projects that the bonds would finance and the maximum aggregate principal amount for the financing of each project. The substitute prohibited the issuance of bonds for certain facilities at Prairie View A&M and Texas Southern University before March 1, 2003.

The companion bill, SB 254 by Ellis, was referred to the Senate Finance Committee on January 24.

Proposed Tuition Revenue Bond Authorizations — CSHB 658

<u>Institution</u>	<u>Project Title & CB Evaluation Page No.</u>	<u>Project Cost</u>	<u>TRB Request</u>	<u>Typical Cost Amount</u>	<u>Proposed TRB Funding</u>	<u>PUF Amount</u>
					(Minus10%)	
UT Arlington	Science Building - 2	\$43,100,000	\$43,100,000		\$10,775,000	\$32,325,000
UT Dallas	Founders/Founders/Annex/Berkner renovation - 6	\$60,000,000	\$60,000,000		\$15,000,000	\$45,000,000
UT El Paso	Biomedical and Health Science Corridor - 9	\$25,000,000	\$25,000,000		\$6,250,000	\$18,750,000
UT Pan American	Educ Complex/Library/Multipurpose Center -17	\$31,000,000	\$34,600,000		\$31,500,000	
UT Brownsville	Phase II Life and Health Science-Educ - 21	\$30,600,000	\$30,600,000		\$27,540,000	
UT Permian Basin	Integrated Mesa Building renovations - 25	\$10,000,000	\$10,000,000		\$2,500,000	\$7,500,000
UT Permian Basin	Gymnasium - 26	\$1,000,000	\$1,000,000		\$250,000	\$750,000
UT San Antonio	Science Building (1604) - 28	\$60,000,000	\$35,000,000		\$8,750,000	\$26,250,000
UT Tyler	Engineering, Sciences & Technology Building - 30	\$36,000,000	\$36,000,000		\$9,000,000	\$27,000,000
A&M Galveston Tarleton	Engineering Building - 40 Library addition/Mathematics renovation - 60	\$14,800,000	\$14,800,000	\$11,800,000	\$10,620,000	
A&M Corpus Christi	Classroom/Lab Facility - 64 - Harte Center	\$40,000,000	\$40,000,000		\$36,000,000	
A&M Kingsville	Pharmacy School	\$11,600,000	\$11,600,000		\$11,600,000	
A&M Kingsville	Student Services Building - 68	\$12,000,000	\$12,000,000		\$10,800,000	
A&M International	Phase IV, Science Building - 73	\$22,000,000	\$22,000,000	\$16,800,000	\$15,120,000	
West Texas A&M	Fine Arts Complex - 77	\$30,000,000	\$30,000,000	\$26,800,000	\$24,120,000	
A&M Commerce	Science Building - 81	\$19,000,000	\$19,000,000	\$17,600,000	\$15,840,000	
A&M Texarkana	Health Science Building/Library Renovation - 85	\$20,000,000	\$20,000,000		\$18,000,000	
U of Houston	Science/Engineering Research/Classrooms - 87	\$60,000,000	\$60,000,000		\$54,000,000	
UH Clear Lake	Student Services/Classroom Building - 90	\$36,375,000	\$36,375,000		\$32,737,500	
UH Downtown	New Classroom Building - 91	\$30,000,000	\$30,000,000	\$21,450,000	\$19,305,000	
UH Victoria	University West - 92	\$700,000	\$700,000		\$630,000	
UH Victoria	Facility Services Building - 93	\$1,100,000	\$1,050,000		\$945,000	
UH Victoria	Center for Community Initiatives - 94	\$1,500,000	\$1,350,000		\$1,215,000	
Midwestern	Campus Chilled Water Distribution System - 95	\$3,400,000	\$3,400,000		\$3,060,000	
Midwestern	HVAC Controls/Energy Monitoring Control - 96	\$2,500,000	\$2,500,000		\$2,250,000	
Midwestern	Streets, Sewer Storm Drainage Improvements - 97	\$3,400,000	\$3,400,000		\$3,060,000	
U of North Texas	Construct Science Building - 104	\$32,275,000	\$32,275,000		\$29,047,500	
Stephen F. Austin	Telecommunications Bldg &Power Plant renovation - 108	\$7,400,000	\$6,200,000		\$5,580,000	
Stephen F. Austin	Birdwell Building renovation - 109	\$6,800,000	\$5,800,000		\$5,220,000	

HB 658
House Research Organization
page 6

<u>Institution</u>	<u>Project Title & CB Evaluation Page No.</u>	<u>Project Cost</u>	<u>TRB Request</u>	<u>Typical Cost Amount</u>	<u>Proposed TRB Funding</u>	<u>PUF Amount</u>
Texas Tech	Food Tech & Animal Science Building - 123	\$40,000,000	\$20,000,000	\$13,800,000	\$12,420,000	
Texas Woman's	Academic and Administration Building - 128	\$30,350,000	\$30,350,000		\$27,315,000	
Angelo	Expand and Renovate Institutional Facilities - 130	\$19,903,000	\$19,903,000		\$17,912,700	
Lamar	Building renovations and repairs -132	\$25,637,760	\$25,637,760		\$23,073,984	
L - Inst. of Tech	Gentry renovation-Classrooms and Labs - 136	\$6,237,600	\$6,237,600		\$5,613,840	
LSC - Orange	Complete Campus Site Development - 137	\$2,500,000	\$2,500,000		\$2,250,000	
LSC - Port Arthur	Performing Arts/Classroom Building - 138	\$7,000,000	\$7,000,000		\$6,300,000	
LSC - Port Arthur	Gates Memorial Library Expansion & Plaza - 139	\$2,000,000	\$2,000,000	\$1,700,000	\$1,530,000	
Sam Houston	Farrington Bldg renovation and expansion - 141	\$20,000,000	\$20,000,000		\$18,000,000	
Southwest Texas	New Business Building - 145	\$21,690,000	\$21,690,000		\$19,521,000	
Sul Ross	Science/Range Animal Science Facility - 156	\$17,000,000	\$14,500,000		\$13,050,000	
Sul Ross	Chiller Replacement/addition - 157	\$2,200,000	\$1,000,000		\$900,000	
TSTC Harlingen	Learning Resource Ctr/Distance Learning - 183	\$4,000,000	\$4,000,000		\$3,600,000	
TSTC West Texas	Transportation Technologies Building - 186	\$2,700,000	\$2,700,000		\$2,430,000	
TSTC Marshall	Library and Administration Center - 187	\$2,100,000	\$2,100,000		\$1,890,000	
TSTC Waco	Industrial Technology Center - 188	\$4,000,000	\$4,000,000		\$3,600,000	
Subtotal, General Academics and Technical Colleges		\$880,868,360	<u>\$833,368,360</u>		<u>\$589,921,524</u>	<u>\$157,575,000</u>
0						

Beginning FY 2003

Prairie View A&M	Nursing Building		\$30,000,000			\$30,000,000
Prairie View A&M	Renovate Engineering Building - 47		\$12,000,000		\$12,000,000	
Prairie View A&M	Architecture Building - 48		\$26,000,000		\$26,000,000	
Prairie View A&M	Renovations - 50		\$15,000,000		\$15,000,000	

Beginning FY 2004 - 2005

Prairie View A&M	Juvenile Justice Building - 49		\$15,000,000		\$15,000,000	
------------------	--------------------------------	--	--------------	--	--------------	--

Subtotal, Prairie View A&M

\$98,000,000 **\$68,000,000** **\$30,000,000**

Beginning FY 2003

HB 658
House Research Organization
page 1

<u>Institution</u>	<u>Project Title & CB Evaluation Page No.</u>	<u>Project Cost</u>	<u>TRB Request</u>	<u>Typical Cost Amount</u>	<u>Proposed TRB Funding</u>	<u>PUF Amount</u>
Texas Southern	Science Building - 117		\$30,000,000		\$30,000,000	
Texas Southern	Renovations - 118		\$14,500,000		\$14,500,000	
Texas Southern	Campus Landscaping - 119		\$5,000,000		\$5,000,000	
Beginning FY 2004 - 2005						
Texas Southern	Renovations - 118		\$14,500,000		\$14,500,000	
Texas Southern	School of Public Affairs Building		\$15,000,000		\$15,000,000	
Subtotal, Texas Southern			<u>\$79,000,000</u>		<u>\$79,000,000</u>	
(10% Reduction)						
UT Southwestern	North Campus Phase IV - 160	\$240,000,000	\$40,000,000		\$40,000,000	
UT Medical Branch	Research Facilities Expansion - 161	\$48,000,000	\$20,000,000		\$18,000,000	
UT HSC Houston	Classroom Building - 164	\$23,000,000	\$23,000,000	\$15,300,000	\$13,770,000	
UT HSC SA	Student Services/Acad Admin Building - 167	\$18,000,000	\$18,000,000		\$16,200,000	
UT RAHC	Teaching/Learning Lab - Harlingen - 169	\$30,000,000	\$30,000,000		\$27,000,000	
UT Hlth Ctr Tyler	Biomedical Research Center - 173	\$13,545,000	\$13,545,000	\$10,700,000	\$9,630,000	
A&M HSC	School of Rural Public Health	\$34,773,835	\$14,300,000		\$12,870,000	
North Texas HSC	Biotech Center and School of Public Health - 177	\$27,500,000	\$24,800,000		\$22,320,000	
Texas Tech HSC	Clinical Tower/Research Center - Lubbock - 178	\$31,626,500	\$26,882,525		\$24,194,273	
Texas Tech HSC	Basic Sciences/Research Building - El Paso - 180	\$50,000,000	\$50,000,000		\$40,000,000	
Subtotal, Health Related Institutions			<u>\$516,445,335</u>	<u>\$260,527,525</u>	<u>\$223,984,273</u>	
TOTAL					<u>\$960,905,797</u>	

Notes: Typical costs were substituted for projects that received a High Cost rating by the Coordinating Board. Generally, the recommended amount is a 10% reduction from either the request or typical cost.

Source:
House Appropriations Committee