

SUBJECT: Authorizing issuance of bonds for UT Health Science Center at Houston

COMMITTEE: Higher Education — favorable, without amendment

VOTE: 6 ayes — Morrison, F. Brown, Chavez, Giddings, J. Jones, Mercer

0 nays

2 absent — Nixon, Smithee

WITNESSES: None

BACKGROUND: Under Education Code, sec. 61.0572(d), the Texas Higher Education Coordinating Board (THECB) may review and approve additions to higher education institutions' facilities. Secs. 61.0572(e) and 61.058(b) exempt facility improvements and additions from the need for THECB approval if those projects are financed by certain bonds issued under sec. 55.17. In cases where THECB approval is not required, the board may review a proposed project and may notify the governor, lieutenant governor, House speaker, and Legislative Budget Board if the project does not meet board standards.

DIGEST: HB 1941 would authorize the University of Texas System board of regents to issue up to \$34.9 million in bonds to repair infrastructure at the University of Texas Health Science Center at Houston (UTHSC-H) damaged by Tropical Storm Allison. These bonds could be paid with the revenue of any institution, branch, or entity of the UT System, including tuition revenue. The pledge for these bonds could not be reduced or abrogated while the bonds were outstanding. If sufficient funds were not available to pay for the bonds, the board of regents could transfer funds among UT system entities to enable the most equitable and efficient allocation of resources.

The bill would exempt expenditures made on facility improvements financed with these bonds from any requirement of prior approval by THECB, but the board could review a proposed project and notify the governor, lieutenant governor, House speaker, and Legislative Budget Board if the project did not meet board standards.

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, 2003.

**SUPPORTERS
SAY:**

HB 1941 would enable the state to aid in the repair of facilities at UTHSC-H damaged by Tropical Storm Allison in June 2001. Allison devastated three buildings in the medical school complex, causing more than \$165 million in losses. Funds from the authorized bonds would be used to repair damaged buildings and to mitigate against future flood damage. Because UTHSC-H trains thousands of doctors who serve across the state, repair of the facilities at the university is a pressing priority for Texas.

The extensive damage caused by Allison will continue to harm UTHSC-H unless HB 1941 is enacted. Much of the school continues to rely on power generators because of electrical problems caused by Allison. The animal research facility was destroyed completely, and its resources have been dispersed throughout the center. Building infrastructure was weakened by flooding, expensive research equipment was destroyed, and thousands of research animals were killed. The bonds issued under HB 1941 would help restore functionality to UTHSC-H that was lost in the storm.

To qualify for a \$62 million grant from the Federal Emergency Management Agency, UTHSC-H needs the \$34.9 million that would be available through HB 1941. The needed repairs would preserve UTHSC-H's status as one of the nation's premier medical schools.

Given the emergency situation at UTHSC-H, it is appropriate for expenditures authorized under HB 1941 to bypass the THECB's approval process, just as other expenditures have bypassed this process in the past. THECB still could review the proposed projects and could issue a report to state leaders if the projects did not meet the board's criteria.

**OPPONENTS
SAY:**

HB 1941 could increase demand for general revenue appropriations to higher education. Although tuition revenue would be pledged to pay for the bonds, the Legislature historically has appropriated general revenue to reimburse institutions for tuition used to pay for debt service. The Legislative Budget Board estimates that HB 1941 would cost the state close to \$3 million

annually, and this obligation could divert general revenue funds from other state priorities.

**OTHER
OPPONENTS
SAY:**

HB 1941 unjustifiably would exempt expenditures of funds from these bonds from THECB's approval. The board should be able to apply its oversight of higher education infrastructure expenditures by determining whether the proposed projects at UTHSC-H should be approved.

NOTES:

The bill's fiscal note estimates that HB 1941 would cost the state \$2.7 million in general revenue in fiscal 2004 and nearly \$3 million each year from fiscal 2005 through 2008, on the assumption that the Legislature would appropriate funds to reimburse institutions for the tuition used to pay debt service.

The companion bill, SB 609 by Janek and Ellis, has been referred to the Senate Finance Committee. Two related bills, HB 3351 by J. Davis and SB 1420 by Janek and Ellis, would authorize an additional \$30 billion in tuition revenue bonds to finance repairs to buildings at UTHSC-H damaged by Tropical Storm Allison. The House Higher Education Committee considered HB 3351 in a public hearing on April 9 and left it pending. SB 1420 has been referred to the Senate Finance Committee.