

- SUBJECT:** Authorizing tuition revenue bonds for higher education institutions
- COMMITTEE:** Higher Education — committee substitute recommended
- VOTE:** 9 ayes — Morrison, Goolsby, F. Brown, Dawson, Gallego, Giddings, Harper-Brown, J. Jones, Rose
- 0 nays
- WITNESSES:** For — John Montford, Greater San Antonio Chamber of Commerce; Susan C. Rocha, City of Round Rock
- Against — None
- On — Stanton C. Calvert, Texas A&M University System; Nancy W. Dickey, Texas A&M Health Science Center; Jay Gogue, University of Houston System; Charles R. Matthews, Texas State University System; Jack Morton, University of North Texas System; Jesse W. Rogers, Midwestern State University; Kenneth Shine and Teresa Sullivan, The University of Texas System; Ann Stuart, Texas Woman’s University; John Whitmore, Texas Tech University; Roy M. Wilson, Texas Tech University Health Sciences Center
- BACKGROUND:** Tuition revenue bonds (TRBs), for which institutions of higher education pledge future revenue (tuition and fees) for repayment, generally are issued to fund capital projects such as institutional construction, renovation projects, equipment, and infrastructure. The Legislature must authorize issuance of TRBs and typically appropriates general revenue to reimburse institutions for the tuition used to pay the debt service.
- DIGEST:** CSHB 6 would authorize the issuance of a total of \$2.7 billion in tuition revenue bonds for institutions of higher education to finance construction and improvement of infrastructure and related facilities. The bonds would be payable from pledged revenue and tuition and, if a board of regents did not have sufficient funds to meet its obligations, funds could be transferred among institutions, branches, and entities within each system or university. The bill includes TRB authorization for individual institutions and projects in the following university systems:

- University of Texas System (\$1.1 billion);
- Texas A&M System (\$683 million);
- University of Houston System (\$158 million);
- Texas State University System (\$295 million);
- University of North Texas System (\$161 million);
- Texas Tech University System (\$89.8 million);
- Texas Woman's University (\$44.5 million);
- Midwestern State University (\$10.4 million);
- Stephen F. Austin State University (\$65.5 million); and
- Texas Southern University (\$109.6 million).

CSHB 6 would add junior college districts with a total headcount enrollment of 40,000 or more to the statutory list of entities eligible to issue obligation bonds. This provision would take effect September 1, 2005, if CSHB 6 finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect on the 91st day after the end of the special session (October 19, 2005, if the first called session lasts a full 30 days).

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 on the 91st day after the end of the special session.

**SUPPORTERS  
SAY:**

CSHB 6 would support a wide range of critical facilities projects at higher education institutions throughout the state that play an important role in closing the gaps in higher education. Renovations, repairs, upkeep and new facilities are essential to the state's ability to provide high quality education to Texas students. Higher education institutions depend on state support for maintenance and expansion to keep pace with the exploding growth in student enrollment and to maintain and enhance the quality of education these students receive. Economists and higher education experts say that economic prosperity and better jobs are dependent on having a highly skilled and well educated workforce. While recognizing that there are limited state dollars, CSHB 6 would give priority to the critical needs of institutions from across the state.

TRBs are the most cost-effective way to finance higher-cost construction or improvement of long-lasting infrastructure, which can be used while the debt is being paid off. The state should make an investment in higher education that would pay for itself many times over by supporting each

institution's bond program. The bonds would be pledged against university revenues and thus would pose little financial risk for the state.

While the cost of supporting these bonds is significant, it is in the state's best interest to continue to support higher education by paying principal and interest on bond debt. In its 2004 report, the Joint Interim Committee on Higher Education recognized the importance of supporting tuition revenue bonds in its recommendation that the Legislature require that general revenue funding be used to reimburse higher education institutions for the cost related to debt service of all legislatively approved TRBs.

**OPPONENTS  
SAY:**

Tuition revenue bonds have become popular because they allow lawmakers to support more projects by paying only a small portion of the cost and leaving the remaining financial commitments for future legislatures and taxpayers. With CSHB 6, the Legislature would authorize \$2.7 billion in project costs, but the related appropriations would be only about \$474 million through the next biennium. While this is only a portion of the overall project costs, the bill would commit future legislatures to hundreds of millions of dollars in bond payments over 20 years. The Legislature should commit to TRBs only for emergency projects. Institutions should have to include bond debt as part of their overall operating budgets.

**NOTES:**

The committee substitute would authorize tuition revenue bonds for projects at Angelo State University, Sam Houston State University, and two additional projects at Sul Ross State University. The University of North Texas System would be authorized to issue TRBs for projects at the University of North Texas System Center at Dallas.

The fiscal note estimates that debt service payments on the TRBs issued would cost the state approximately \$474 million through fiscal 2006-07 and \$238 million in each succeeding fiscal year through fiscal 2010.

During the regular session, the House and the Senate passed HB 2329 by Morrison, which would have authorized a total of \$2.2 billion in TRBs for higher education institutions. The bill died when neither the House nor the Senate considered the conference committee report for the bill.

Sec. 14.61 of Article 9 of SB 1, the general appropriations act for fiscal 2006-07, included \$108 million for TRB debt service, contingent on

passage of HB 2329 or similar legislation. Gov. Perry line-item vetoed this provision because HB 2329, or similar legislation, was not enacted.

SB 6 by Ogden, an omnibus appropriations bill passed by the Senate on July 8, would appropriate \$110 million from general revenue during fiscal 2006-07 for TRB debt service, contingent on enactment of HB 6 or similar legislation.

A similar bill, SB 80 by Ogden, also would authorize the issuance of TRBs at higher education institutions, but would limit the state reimbursement for debt service beginning September 1, 2007. The state reimbursement could not exceed 60 percent of the amount of the debt service for as long as the bonds were outstanding, unless the limit would impose a hardship for an affected university. SB 80 is scheduled for a public hearing tomorrow in the Senate Finance Committee.