

- SUBJECT:** Enrollment threshold for certain institutions' tuition revenue bonds
- COMMITTEE:** Higher Education — committee substitute recommended
- VOTE:** 8 ayes — Branch, Castro, Alonzo, Berman, D. Howard, McCall, Patrick, Rose
- 0 nays
- 1 absent — Cohen
- WITNESSES:** For — Harold Oliver, Texas A&M University, San Antonio Foundation; William Parry, Central Texas University Task Force; (*Registered, but did not testify*: Carlos Contreras, City of San Antonio; Cindy Segovia, Bexar County)
- Against — None
- On — Lee Jackson, University of North Texas System; Michael McKinney, Texas A&M University System; Garry Ross, Tarleton State University-Central)
- BACKGROUND:** In its third called session in 2006, the 79th Legislature enacted HB 153 by Morrison, authorizing \$1.8 billion in tuition revenue bonds for higher education institutions to finance construction and improvement of infrastructure and related facilities. The bonds are not general obligations of the state. They are payable from pledged revenue and tuition, and if a board of regents does not have sufficient funds to meet its obligations, funds can be transferred among institutions, branches, and entities within each university system.
- The bill included authorizations for the University of North Texas (UNT) System to issue tuition revenue bonds in the amount of \$25 million for the UNT-Dallas campus and for the Texas A&M University System (TAMU) to issue \$40 million for Texas A&M University - San Antonio and \$25 million for Texas A&M - Central Texas. The bill placed certain restrictions on that bonding authority to postpone the issuance of any bonds until the institutions reached a specified, full-time student equivalent enrollment of 1,500 students for one semester.

Education Code, secs. 55.1751(d) and (e) prohibit the TAMU System from issuing bonds for facilities at Texas A&M University-Central Texas and Texas A&M University - San Antonio, until enrollment at those institutions has reached 1,500 full-time student equivalents for one semester. If the enrollment is not reached by January 1, 2010, the authority to issue the bonds expires.

Sec. 55.1755(d) prohibits the University of North Texas System from issuing bonds for facilities at the University of North Texas Dallas campus until the enrollment reaches 1,500 full-time student equivalents. If the enrollment is not reached, the authority to issue the bonds expires on January 1, 2010.

Education Code, sec. 87.841(d) prohibits TAMU-San Antonio from operating as a general teaching institution until enrollment at the TAMU - Kingsville System Center reaches an enrollment equivalent to 1,000 full-time students for one semester, if the Legislature authorizes issuance of revenue bonds to finance educational facilities and the bonds are issued for that purpose.

Education Code, sec. 105.501(d) prohibits the University of North Texas System Center at Dallas from receiving additional general revenue and small school supplement funding until it has reached 2,500 full-time equivalent student enrollment.

Tuition revenue bonds (TRBs) are issued by institutions of higher education, with future revenue from tuition and fees being pledged to repayment of the bonds. The Legislature must authorize bond issuance, and bond proceeds generally are used to fund institutional construction, renovation projects, equipment, and infrastructure. The Legislature typically appropriates general revenue to reimburse institutions for the tuition used to pay for the debt service.

DIGEST:

CSHB 1967 would authorize Texas A&M University's system center in San Antonio to operate as a general academic teaching institution known as Texas A&M University-San Antonio once the Texas Higher Education Coordinating Board certified that enrollment had reached 1,000 full-time students for one semester.

The bill would authorize the University of North Texas at Dallas to receive general revenue appropriations and small institution formula

funding supplement before it reached 2,500 full-time equivalent student enrollment.

The bill would authorize the Texas A&M University System and the University of North Texas System to issue previously authorized TRBs by removing the enrollment thresholds and the deadline that were a condition of the issuance of TRBs for three institutions of higher education: Texas A&M University-San Antonio, Texas A&M-Central Texas, and the University of North Texas-Dallas.

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, 2009.

**SUPPORTERS
SAY:**

CSHB 1967 would allow the previously authorized TRBs to become immediately available to Texas A&M – San Antonio, Texas A&M - Central Texas and UNT-Dallas campus. The three system centers have been destined to become stand-alone universities and they have already reached the enrollment threshold of 1,000 students necessary to reach that goal. However, the authority for bond authorization expires if the full-time student equivalent enrollment does not reach 1,500 by January 1, 2010. The bill would hasten the funding mechanism necessary to construct the educational facilities.

There is a great need to be able to begin building facilities for these system centers, as they likely will hit the target enrollment some time next year, which would be past the deadline. That would mean having to wait until the next regular session of the Legislature in 2011 for the authority to issue the TRBs.

These institutions play an important role in closing the gaps in accessibility in higher education. An increasing number of students wishing to attend a public university will mean more need for educational services. They are growing faster than most other higher education institutions, but do not have their own buildings.

All available space at these campuses is fully used, and options for responding to the need for additional space are limited. The San Antonio and Central Texas campuses do not have any facilities for their new universities nor any dedicated space. The campuses have been using borrowed and leased space and temporary buildings. Some classroom

space is being borrowed from local community colleges and independent school districts, but because these institutions have priority use of their facilities, classes are being held in the late afternoon.

The local communities are fully behind expanding these campuses, especially Fort Hood. Fort Hood officially has transferred 672 acres to the Texas A&M University System to build Texas A&M University-Central Texas in Killeen. It is a partnership between the Army and Texas A&M University that has been in the planning stage for some time. The city of Killeen has made water and waste water available to the site and stands ready with further assistance. Now, soldiers and their families and students throughout central Texas will have access to a first-class, affordable university education.

A 700-acre site was donated to the Texas A&M System for the permanent campus in San Antonio. The city of San Antonio has committed \$15 million for the development of campus infrastructure.

UNT-Dallas has one educational building but already needs a second building to accommodate a growing student body and an increasing catalogue of programs. If the funding is not available, the campus will face a long-term space deficit in both classroom and office space. Lack of classroom space could jeopardize accreditation by the Southern Association of Colleges and Schools (SACS), which requires the institution to have a certain amount of physical space to support its missions and the scope of its programs and services.

It is a good time to begin construction because construction costs are significantly lower now, and as soon as the bonds can be sold, construction can begin.

**OPPONENTS
SAY:**

Tuition revenue bonds are popular because they allow the Legislature to support higher education projects by paying only a small portion of the cost and leaving the remaining financial commitments for future legislatures and taxpayers. This bill would commit future legislatures to hundreds of millions of dollars in bond payments over 20 years. The Legislature should commit to tuition revenue bonds only for emergency projects. Institutions should have to include bond debt as part of their overall operating budgets.

NOTES:

According to the LBB, the bill would cost \$9.89 million in fiscal 2011 and about \$7.7 million each year thereafter. The bonds would not be general obligations to the state, but historically, the Legislature has appropriated general revenue to reimburse institutions for the tuition used to pay the debt service.

The committee substitute differs from the bill as filed by deleting the connection between the authority for Texas A&M University-San Antonio to operate a general academic teaching institution and the issuance of tuition revenue bonds; striking language that would have prohibited the University of North Texas from receiving general revenue and making the institution eligible for small school supplement formula funding before it reaches 2,500 full-time equivalent student enrollment.

A similar bill, SB 629 by West, passed the Senate by 30-0 on April 20 and was reported favorably, without amendment, by the House Higher Education Committee on April 29, making it eligible for consideration in lieu of HB 1967.