

BILL ANALYSIS

Senate Research Center

S.B. 16
By: Zaffirini et al.
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Tuition Revenue Bonds (TRB) have been the favored method of the legislature for funding construction in higher education. Classrooms, laboratories, libraries, academic centers, and other critical infrastructure are well suited to long-term financing. Institutions have proven adept at refinancing their issued TRBs along with more traditional sources of debt financing, thereby saving the state millions of dollars in debt service over the life of the bonds.

Since 1997, the Texas Legislature established an informal agreement that new bonding authority would be authorized for TRBs every other Regular Legislative Session. Based on this agreement, the next TRB bill was expected to pass in 2009; however, no new TRBs have been authorized since 2006.

During the 2013 Senate Finance Committee hearings on S.B. 1, chancellors and presidents testified about their critical construction needs and about the scarcity of alternative revenue sources. They attested that nearly every proposed project would not be feasible without the issuance of a TRB. Funding these needs is timely, especially because interest rates are relatively low, as are construction costs, and rapid enrollment in higher education over the last decade has strained the state's aging existing infrastructure. The state must invest now to ensure the education of a booming population to meet the needs of a modern economy and secure Texas' economic vitality.

S.B. 16 includes TRBs for 60 projects at 58 institutions and system offices, totaling \$4.1 billion in construction costs and \$2.4 billion in TRB authorizations.

As proposed, S.B. 16 amends current law relating to authorizing the issuance of revenue bonds to fund capital projects at public institutions of higher education.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 55, Education Code, by adding Sections 55.1781, 55.1782, 55.1783, 55.1784, 55.1785, 55.1786, 55.1787, 55.1788, 55.1789, 55.17891, and 55.17892, as follows:

Sec. 55.1781. THE TEXAS A&M UNIVERSITY SYSTEM; ADDITIONAL BONDS.
(a) Authorizes the board of regents of The Texas A&M University System (TAMU board of regents), in addition to the other authority granted by this subchapter (Revenue Bonds and Facilities), to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for projects to be financed through the issuance of bonds in accordance with this subchapter and in accordance with a systemwide revenue financing program adopted by the TAMU board of regents for the following institutions not to exceed the following aggregate principal amounts for the projects specified as follows:

- (1) Texas A&M University--Commerce, \$45 million for a library and technology center;
- (2) Texas A&M University--Corpus Christi, \$75 million for a life sciences research building;
- (3) Texas A&M University--Kingsville, \$42 million for music building expansion and renovation of Jones Auditorium;
- (4) Texas A&M University--Texarkana, \$46 million for an academic and laboratory learning center;
- (5) West Texas A&M University, \$12 million for the Amarillo Center;
- (6) The Texas A&M University System Health Science Center:
 - (A) \$9 million for facilities in Round Rock, Texas;
 - (B) \$45 million for a research building in Temple, Texas; and
 - (C) \$80 million for an education center and research building in Dallas, Texas; and
- (7) Texas A&M International University:
 - (A) \$52 million for library renovation, additional instructional spaces, and a support services building; and
 - (B) \$11 million for an addition to the science center.

(b) Authorizes the TAMU board of regents, if the TAMU board of regents authorizes and pledges additional funds available to the TAMU board of regents, other than revenues described by Subsection (c) or money available by legislative appropriation and other than funds from the sale of bonds payable from those revenues or appropriations, in an amount equal to one-half of the amount specified for each project authorized below, in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for projects to be financed through the issuance of bonds in accordance with this subchapter and in accordance with a systemwide revenue financing program adopted by the TAMU board of regents for the following institutions not to exceed the following aggregate principal amounts for the projects specified as follows:

- (1) Prairie View A&M University, \$5,333,333 for critical deferred maintenance;
- (2) Tarleton State University, \$43,333,333 for the Gates Agriculture and Business Building;
- (3) Texas A&M University, \$53,333,333 for a biocontainment research facility;
- (4) Texas A&M University at Galveston, \$30,666,667 for an academic building;
- (5) Texas A&M University--Central Texas, \$33,333,333 for a science, health science, and wellness building; and
- (6) Texas A&M University--San Antonio:

(A) \$46,666,667 for a science and technology building; and

(B) \$11 million for a central and physical plant building.

(c) Authorizes the TAMU board of regents to pledge irrevocably to the payment of bonds authorized by this section all or any part of the revenue funds of an institution, branch, or entity of The Texas A&M University System, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

(d) Prohibits the TAMU board of regents from issuing bonds under Subsection (a) until the TAMU board of regents makes the pledge of additional funds required to issue bonds under Subsection (b).

Sec. 55.1782. THE UNIVERSITY OF TEXAS SYSTEM; ADDITIONAL BONDS.

(a) Authorizes the board of regents of The University of Texas System (UT board of regents), in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for projects to be financed through the issuance of bonds in accordance with this subchapter and in accordance with a systemwide revenue financing program adopted by the UT board of regents for the following institutions not to exceed the following aggregate principal amounts for the projects specified as follows:

(1) The University of Texas at Austin, \$95 million for an engineering education and research center;

(2) The University of Texas at Brownsville, \$60 million for a new campus;

(3) The University of Texas--Pan American, \$98 million for Science Building II;

(4) The University of Texas Southwestern Medical Center at Dallas, \$60 million for north campus Phase VI vivarium and research facilities;

(5) The University of Texas Health Science Center at San Antonio, \$6 million for a South Texas diabetes institute;

(6) The University of Texas M. D. Anderson Cancer Center, \$50 million for a personalized cancer care building; and

(7) The University of Texas Medical Branch at Galveston, \$40 million for a health education center.

(b) Authorizes the UT board of regents, if the UT board of regents authorizes and pledges additional funds available to the UT board of regents, other than revenues described by Subsection (c) or money available by legislative appropriation and other than funds from the sale of bonds payable from those revenues or appropriations, in an amount equal to the amount specified for each project authorized below, in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for projects to be financed through the issuance of bonds in accordance with this subchapter and in accordance with a systemwide revenue financing program adopted by the UT board of regents for the following institutions not to exceed the following aggregate principal amounts for the projects specified as follows:

- (1) The University of Texas at Arlington, \$32,150,000 for renovation of and addition to a life science building;
- (2) The University of Texas at Dallas, \$47,500,000 for an engineering building;
- (3) The University of Texas at El Paso, \$40 million for an interdisciplinary research facility;
- (4) The University of Texas at San Antonio, \$46,375,000 for an experimental science instructional building;
- (5) The University of Texas at Tyler, \$24,250,000 for a STEM and business complex and renovation of the business building;
- (6) The University of Texas Health Science Center at Houston, \$58,450,000 for the renovation and modernization of educational and research facilities;
- (7) The University of Texas Health Science Center at San Antonio, \$4 million for an enhanced performance laboratory for the Barshop Institute for Longevity and Aging;
- (8) The University of Texas Health Science Center at Tyler, \$2,502,500 for the Riter Center primary care training center renovation; and
- (9) The University of Texas of the Permian Basin, \$30 million for an engineering building;

(c) Authorizes the UT board of regents to pledge irrevocably to the payment of bonds authorized by this section all or any part of the revenue funds of an institution, branch, or entity of The University of Texas System, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

(d) Prohibits the UT board of regents from issuing bonds under Subsection (a) until the UT board of regents makes the pledge of additional funds required to issue bonds under Subsection (b).

Sec. 55.1783. UNIVERSITY OF HOUSTON SYSTEM; ADDITIONAL BONDS.

(a) Authorizes the board of regents of the University of Houston System (UH board of regents), in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for projects to be financed through the issuance of bonds in accordance with this subchapter and in accordance with a systemwide revenue financing program adopted by the UH board of regents for the following institutions not to exceed the following aggregate principal amounts for the projects specified as follows:

- (1) the University of Houston, \$70 million for a pharmacy and biomedical sciences building;
- (2) the University of Houston--Clear Lake, \$75,600,000 for a science and academic support building;
- (3) the University of Houston--Downtown, \$41,429,000 for a science and technology building; and

(4) the University of Houston--Victoria, \$70 million for campus expansion.

(b) Authorizes the UH board of regents to pledge irrevocably to the payment of bonds authorized by this section all or any part of the revenue funds of an institution, branch, or entity of the University of Houston System, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

(c) Authorizes the UH board of regents, if sufficient funds are not available to the UH board of regents to meet its obligations under this section, to transfer funds among institutions, branches, and entities of the University of Houston System to ensure the most equitable and efficient allocation of available resources for each institution, branch, or entity to carry out its duties and purposes.

Sec. 55.1784. TEXAS STATE UNIVERSITY SYSTEM; ADDITIONAL BONDS.

(a) Authorizes the board of regents of the Texas State University System (Texas State University board of regents), in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for projects to be financed through the issuance of bonds in accordance with this subchapter and in accordance with a systemwide revenue financing program adopted by the Texas State University board of regents for the following institutions not to exceed the following aggregate principal amounts for the projects specified as follows:

(1) Lamar University, \$40 million for a science building;

(2) Lamar State College--Orange, \$21 million for a multipurpose education building;

(3) Lamar State College--Port Arthur, \$2,500,000 for an addition to the allied health building;

(4) Lamar Institute of Technology, \$12 million for renovation and replacement of the technical arts buildings;

(5) Texas State University--San Marcos:

(A) \$56 million for a joint project with The Texas A&M University System Health Science Center for a medical education and research building in Round Rock, Texas; and

(B) \$83 million for an engineering and science building; and

(6) Sam Houston State University, \$9,800,000 for an agriculture engineering technology building.

(b) Authorizes the Texas State University board of regents to pledge irrevocably to the payment of bonds authorized by this section all or any part of the revenue funds of an institution, branch, or entity of the Texas State University System, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

(c) Authorizes the Texas State University board of regents, if sufficient funds are not available to the Texas State University board of regents to meet its obligations under this section, to transfer funds among institutions, branches, and entities of the Texas State University System to ensure the most equitable and efficient

allocation of available resources for each institution, branch, or entity to carry out its duties and purposes.

Sec. 55.1785. UNIVERSITY OF NORTH TEXAS SYSTEM; ADDITIONAL BONDS.

(a) Authorizes the board of regents of the University of North Texas System (UNT board of regents), in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for projects to be financed through the issuance of bonds in accordance with this subchapter and in accordance with a systemwide revenue financing program adopted by the UNT board of regents for the following institutions not to exceed the following aggregate principal amounts for the projects specified as follows:

(1) the University of North Texas System, \$25 million for college of law building renovations;

(2) the University of North Texas, \$48 million for a science and technology research facility;

(3) the University of North Texas at Dallas, \$70 million for a library and student success center; and

(4) the University of North Texas Health Sciences Center at Fort Worth, \$66,600,000 for an interdisciplinary research building.

(b) Authorizes the UNT board of regents to pledge irrevocably to the payment of bonds authorized by this section all or any part of the revenue funds of an institution, branch, or entity of the University of North Texas System, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

(c) Authorizes the UNT board of regents, if sufficient funds are not available to the UNT board of regents to meet its obligations under this section, to transfer funds among institutions, branches, and entities of the University of North Texas System to ensure the most equitable and efficient allocation of available resources for each institution, branch, or entity to carry out its duties and purposes.

Sec. 55.1786. TEXAS WOMAN'S UNIVERSITY. (a) Authorizes the board of regents of Texas Woman's University (TWU board of regents), in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for a science and technology learning center, to be financed through the issuance of bonds in accordance with this subchapter not to exceed the aggregate principal amount of \$37,996,928.

(b) Authorizes the TWU board of regents to pledge irrevocably to the payment of bonds authorized by this section all or any part of the revenue funds of Texas Woman's University, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

Sec. 55.1787. MIDWESTERN STATE UNIVERSITY; ADDITIONAL BONDS.

(a) Authorizes the board of regents of Midwestern State University (MSU board of regents), in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for library, College of Education, and information technology facilities at Midwestern State University, to be financed through the issuance of bonds in accordance with this subchapter not to exceed the aggregate principal amount of \$29,990,000.

(b) Authorizes the MSU board of regents to pledge irrevocably to the payment of bonds authorized by this section all or any part of the revenue funds of Midwestern State University, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

Sec. 55.1788. STEPHEN F. AUSTIN STATE UNIVERSITY. (a) Authorizes the board of regents of Stephen F. Austin State University (SFASU board of regents), in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for a science, technology, engineering, and mathematics research building at Stephen F. Austin State University, to be financed through the issuance of bonds in accordance with this subchapter not to exceed the aggregate principal amount of \$50 million.

(b) Authorizes the SFASU board of regents to pledge irrevocably to the payment of bonds authorized by this section all or any part of the revenue funds of Stephen F. Austin State University, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

Sec. 55.1789. TEXAS TECH UNIVERSITY SYSTEM; ADDITIONAL BONDS. (a) Authorizes the board of regents of the Texas Tech University System (TTU board of regents), in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for projects to be financed through the issuance of bonds in accordance with this subchapter and in accordance with a systemwide revenue financing program adopted by the TTU board of regents for the following institutions not to exceed the following aggregate principal amounts for the projects specified as follows:

(1) Texas Tech University Health Sciences Center:

(A) \$40,500,000 for Lubbock education, research, and technology facilities;

(B) \$75 million for the El Paso Medical Science Building II;

(C) \$17,010,000 for the Permian Basin academic facility; and

(2) Texas Tech University, \$78,975,000 for a research building; and

(3) Angelo State University, \$16,758,000 for a health and human services building.

(b) Authorizes the TTU board of regents to pledge irrevocably to the payment of bonds authorized by this section all or any part of the revenue funds of an institution, branch, or entity of the Texas Tech University System, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

(c) Authorizes the TTU board of regents, if sufficient funds are not available to the TTU board of regents to meet its obligations under this section, to transfer funds among institutions, branches, and entities of the Texas Tech University System to ensure the most equitable and efficient allocation of available resources for each institution, branch, or entity to carry out its duties and purposes.

Sec. 55.17891. TEXAS SOUTHERN UNIVERSITY; ADDITIONAL BONDS. (a) Authorizes the board of regents of Texas Southern University (Texas Southern University board of regents), in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for the Robert J. Terry Library at Texas Southern University, to be financed through the issuance of bonds in accordance with this subchapter not to exceed the aggregate principal amount of \$66,017,661.

(b) Authorizes the Texas Southern University board of regents to pledge irrevocably to the payment of bonds authorized by this section all or any part of the revenue funds of Texas Southern University, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

Sec. 55.17892. TEXAS STATE TECHNICAL COLLEGE SYSTEM. (a) Authorizes the board of regents of the Texas State Technical College System (TSTC board of regents), in addition to the other authority granted by this subchapter, to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, roads, or related infrastructure, for projects to be financed through the issuance of bonds in accordance with this subchapter for the following institutions not to exceed the following aggregate principal amounts for the projects specified as follows:

(1) Texas State Technical College--Harlingen, \$3 million for Phase II of the Engineering Technology Center renovation;

(2) Texas State Technical College--Marshall, \$1,500,000 for renovation of aviation technology facilities; and

(3) Texas State Technical College--Waco, \$5 million for water system infrastructure replacement.

(b) Authorizes the TSTC board of regents to pledge irrevocably to the payment of those bonds all or any part of the revenue funds of an institution, branch, or entity of the Texas State Technical College System, including student tuition charges. Prohibits the amount of a pledge made under this subsection from being reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.

(c) Authorizes the TSTC board of regents, if sufficient funds are not available to the board to meet its obligations under this section, to transfer funds among institutions, branches, and entities of the Texas State Technical College System to ensure the most equitable and efficient allocation of available resources for each institution, branch, or entity to carry out its duties and purposes.

SECTION 2. Amends Section 61.0572(e), Education Code, as follows:

(e) Provides that approval of the Texas Higher Education Coordinating Board (THECB) is not required to acquire real property that is financed by bonds issued under certain sections, including Sections 55.1781-55.17892, except that THECB is required to review all real property to be financed by bonds issued under those sections to determine whether the property meets the standards adopted by THECB for cost, efficiency, and space use. Requires THECB, if the property does not meet those standards, to notify the governor, the lieutenant governor, the speaker of the house of representatives, and the Legislative Budget Board. Makes nonsubstantive changes.

SECTION 3. Amends Section 61.058(b), Education Code, as follows:

(b) Provides that this section does not apply to construction, repair, or rehabilitation financed by bonds issued under certain sections, including Sections 55.1781-55.17892, except that THECB is required to review all construction, repair, or rehabilitation to be financed by bonds issued under those sections to determine whether the construction, rehabilitation, or repair meets the standards adopted by THECB rule for cost, efficiency, and space use. Requires THECB, if the construction, rehabilitation, or repair does not meet those standards, to notify the governor, the lieutenant governor, the speaker of the house of representatives, and the Legislative Budget Board.

SECTION 4. Provides that this Act does not affect any authority or restriction regarding the activities that a public institution of higher education is authorized to conduct in connection with a facility financed by bonds authorized by this Act.

SECTION 5. Effective date: upon passage or September 1, 2013.