

- SUBJECT:** Tuition revenue bonds for higher education institutions
- COMMITTEE:** Higher Education — committee substitute recommended
- VOTE:** 8 ayes — Morrison, Goolsby, F. Brown, Gallego, Giddings, Harper-Brown, J. Jones, Rose
- 0 nays
- 1 absent — Dawson
- WITNESSES:** For — None
- Against — None
- On — Jay Gogue, University of Houston System
- BACKGROUND:** Higher education institutions use tuition revenue bonds to raise funds for capital projects. While tuition revenue repays these bonds, the Legislature typically funds the debt service through appropriations.
- DIGEST:** CSHB 2329 would authorize the issuance of a total of \$2.2 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 the board 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 authorization for the following:
- University of Texas System (\$996 million);
 - Texas A&M System (\$431 million);
 - University of Houston System (\$158 million);
 - Texas State University System (\$242 million);
 - University of North Texas System (\$136 million);
 - Texas Tech University System (\$13.5 million);
 - Texas Woman’s University (\$44.5 million);
 - Midwestern State University (\$10.4 million);
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- Stephen F. Austin State University (\$65.5 million); and
- Texas Southern University (\$109.6 million).

The bill 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.

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, 2005.

**SUPPORTERS
SAY:**

CSHB 2329 would support a wide range of facilities projects at higher education institutions throughout the state. 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 growth in student population and to maintain and enhance the quality of education these students receive.

Revenue bonds are the most cost-effective way to finance high-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 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 tuition revenue bonds, and thereby honor the commitment made when these bonds were authorized.

**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 2329, the Legislature would

authorize more than \$2.2 billion in project costs, but the related appropriation would be only about \$383 million over 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 tuition revenue bonds only for emergency projects. Institutions should have to include bond debt as part of their overall operating budgets.

NOTES:

The original version of the bill would have authorized tuition revenue bonds only for the University of Houston System.

The fiscal note estimates that debt service payments on the bonds issued would cost the state approximately \$383 million in fiscal 2006-07, and approximately \$192 million in each succeeding fiscal year through fiscal 2010.