HOUSE
RESEARCH
ORGANIZATION bill analysis 4/16/2019

HB 2000 (2nd reading)
C. Turner et al.
(CSHB 2000 by C. Turner)

SUBJECT: Authorizing tuition revenue bonds for institutions of higher education

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 9 ayes — C. Turner, Stucky, Button, Frullo, Howard, E. Johnson, Pacheco, Smithee, Walle

1 nay — Schaefer

1 absent — Wilson

WITNESSES: For — (*Registered, but did not testify*: Melissa Shannon, Bexar County Commissioners Court; Julie Acevedo, City of Round Rock; Christine Wright, City of San Antonio; Priscilla Camacho, Dallas Regional Chamber; Roberto Haddad, Doctors Hospital at Renaissance; Mackenna Wehmeyer, North San Antonio Chamber; Leticia Van de Putte, San Antonio Chamber of Commerce; Sophie Torres, San Antonio Hispanic Chamber of Commerce; Drew Scheberle, The Greater Austin Chamber of Commerce; James Grace Jr., University of Houston Law Foundation; Augustus Campbell, West Houston Association)

Against — (*Registered, but did not testify*: CJ Grisham)

On — Demetrio Hernandez and Greg Owens, Legislative Budget Board; Steve Westbrook, Stephen F. Austin State University; John Sharp, Texas A&M University System; Julie Eklund, Texas Higher Education Coordinating Board; Mike Reeser, Texas State Technical College System; Brian McCall, Texas State University System; Gary Barnes, Texas Tech University System; Kevin Cruser, Texas Woman's University; James Milliken, The University of Texas System; Renu Khator, University of Houston System; Lesa Roe, University of North Texas System

BACKGROUND: Tuition revenue bonds are financial instruments that institutions of higher education secure with pledged future revenue, such as tuition and fees, to fund capital projects. Education Code ch. 55 outlines certain projects for which institutions of higher education may use tuition revenue bonds.

These include purchasing, constructing, improving, or maintaining any property, activities, services, operations, or other facilities for or on behalf of an institution or its branches. The Legislature must authorize the issuance of tuition revenue bonds in legislation.

DIGEST:

CSHB 2000 would authorize the issuance of $3.8 billion in tuition revenue bonds for institutions of higher education in the state to finance the construction and renovation of infrastructure and facilities.

The bill would authorize tuition revenue bonds for individual institutions and projects for the following universities and university systems:

- Texas A&M University System ($767.5 million);
- University of Texas System ($1.3 billion);
- University of Houston System ($351 million);
- Texas State University System ($369.6 million);
- University of North Texas System ($321.5 million);
- Texas Tech University System ($322.6 million);
- Texas Woman's University ($100 million);
- Midwestern State University ($10 million);
- Stephen F. Austin University ($48 million);
- Texas Southern University ($50 million); and
- Texas State Technical College System ($134.6 million).

Bonds would be payable from pledged revenue and tuition. 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.

CSHB 2000 would not affect any authority or restriction on the activities a public institution of higher education could conduct in connection with facilities financed by authorized tuition revenue bonds.

This bill would take effect September 1, 2019.

SUPPORTERS SAY:

CSHB 2000 would authorize tuition revenue bonds essential for the state's institutions of higher education to build and maintain facilities, provide for enrollment growth, and remain competitive.

Tuition revenue bonds historically have been the favored method of the Legislature to fund construction projects at institutions of higher education because the bonds allow a large cost to be spread over a long period of time. This makes tuition revenue bonds a cost-effective method for funding large construction projects, such as updating or replacing classrooms, laboratories, and academic centers. Additionally, many facilities listed in CSHB 2000 are in need of significant renovations or are beyond repair. Addressing these projects listed for deferred maintenance ultimately would save the state money while meeting student need.

As Texas' population and workforce needs increase, demand for higher education in the state is growing. Several campuses have buildings that are at capacity and are unable to adequately serve the surrounding population. CSHB 2000 would provide the funding necessary for these schools to address the surge in demand through the construction and expansion of facilities. Enabling these schools to educate more students also would help Texas achieve the goals set in the Texas Higher Education Coordinating Board's 60x30 Plan.

At the local level, CSHB 2000 would help smaller institutions obtain the funding necessary to complete capital projects and meet demand. Other, larger institutions are able to rely on alumni donations to help pay for new facilities, but most small schools do not have this luxury and rely on the Legislature to fund facilities that enable them to meet workforce needs and provide a quality education.

Tuition revenue bonds authorized under CSHB 2000 would be a good investment for the state because they would expand research capabilities at leading institutions and provide campuses with the resources necessary to adequately meet increased demand for higher education, preparing students to enter the workforce. Additionally, the institutions included in the bill have proven adept at refinancing tuition revenue bonds, which has saved the state millions in debt service.

OPPONENTS SAY: CSHB 2000 would provide important funding to institutions of higher education through the use of an inappropriate mechanism, tuition revenue bonds.

The state should not authorize bonds to fund the creation of facilities when renovating existing structures would be more economical. Instead, the state should give greater priority to addressing deferred maintenance, which restricts enrollment growth and limits student success, and institutions should be encouraged to finance capital construction through private capital campaigns or by using existing facilities more efficiently.

NOTES: According to the Legislative Budget Board, the bill would have an estimated negative impact of $660.1 million on general revenue related funds through fiscal 2020-21.