

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

February 21, 2005

TO: Honorable Geanie Morrison, Chair, House Committee on Higher Education

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB684 by Giddings (Relating to the establishment of a school of pharmacy at the University of North Texas Health Science Center at Fort Worth.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB684, As Introduced: a negative impact of (\$4,320,984) through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	(\$2,335,492)
2007	(\$1,985,492)
2008	(\$5,123,696)
2009	(\$5,656,696)
2010	(\$6,539,896)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2005
2006	(\$2,335,492)	2.0
2007	(\$1,985,492)	2.0
2008	(\$5,123,696)	3.5
2009	(\$5,656,696)	5.0
2010	(\$6,539,896)	20.0

Fiscal Analysis

The bill would authorize The Board of Regents at the University of North Texas System to establish and operate a school of pharmacy at the University of North Texas Health Science Center (UNTHSC) in Fort Worth. The Board may offer courses leading to degrees in pharmacy education and award those degrees. Additionally, the bill would require the Texas Higher Education Coordinating Board to prepare an impact statement for the new school by August 31, 2006.

The estimated cost to the General Revenue Fund is \$2,335,492 in fiscal year 2006, and \$1,985,492 in fiscal year 2007. Five-year costs to the General Revenue Fund are estimated to be \$21,641,272.

Methodology

The Texas Higher Education Coordinating Board (THECB) has assumed the following would occur: (1) the pharmacy school would require the construction of a new building in Fort Worth with land

already purchased by the University of North Texas System; (2) the new building would be financed by tuition revenue bonds; and (3) the number of full-time employees and the costs of personnel, equipment, instruction and other operating expenses would mirror the program development, timeline, and appropriation and expenditure histories of the college of pharmacy at Texas Tech University Health Sciences Center (Texas Tech), which was the same methodology used to estimate costs of establishing a pharmacy school at Texas A&M Kingsville.

The THECB estimates the construction of a 78,000 square foot pharmacy building would cost \$21,600,000 in tuition revenue bonds and be completed and ready for occupancy in Fall 2007. In addition, debt service is estimated at \$1,985,492 (assuming a bond rate of 8.367 percent for 30 years) per year, beginning in fiscal year 2006. In addition, it is estimated that operation and maintenance costs of \$350,000 for the pharmacy building would start occurring by fiscal year 2006.

Beginning in fiscal year 2006-07, the THECB estimates there would be a cost of \$350,000 to begin the curriculum design and accreditation process and allow the UNTHSC to hire one pharmacy educator and one dean.

Starting in the Fall 2008, the school would enroll the first class of 55 students and increase its class size to 75 students in the Fall 2009. The estimate assumes operating cost and capital expenditures would be ongoing and cost \$3,138,204 in fiscal year 2008. Based on this timeline, the school would be eligible for formula funding for instruction and infrastructure beginning in fiscal year 2010: (\$3,671,204 for FY 2009; and \$4,659,734 for FY 2010.) Also, using the Texas Tech model, the UNTHSC would continue to receive special item funding for the college of pharmacy through fiscal year 2011.

The THECB has estimated there would be a cost to complete the impact statement but said cost be absorbed within existing agency resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board

LBB Staff: JOB, CT, RT, MM