

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 22, 2007

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

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

IN RE: HB1233 by Branch (Relating to the establishment of a law school in the city of Dallas by the University of North Texas System.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1233, As Introduced: a negative impact of (\$6,172,733) through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$776,327)
2009	(\$5,396,406)
2010	(\$6,784,369)
2011	(\$6,611,709)
2012	(\$6,915,859)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Probable Revenue Gain/(Loss) from EST OTH EDUC & GEN INCO 770	Probable Revenue Gain/(Loss) from INSTITUTIONAL FUNDS 997	Probable Savings/ (Cost) from EST OTH EDUC & GEN INCO 770
2008	(\$776,327)	\$0	\$0	\$0
2009	(\$5,396,406)	\$0	\$0	\$0
2010	(\$6,784,369)	\$125,000	\$665,686	(\$125,000)
2011	(\$6,611,709)	\$225,000	\$1,386,601	(\$225,000)
2012	(\$6,915,859)	\$418,356	\$2,407,653	(\$418,356)

Fiscal Year	Probable Savings/ (Cost) from INSTITUTIONAL FUNDS 997	Change in Number of State Employees from FY 2005
2008	\$0	5.0
2009	\$0	15.0
2010	(\$665,686)	23.0
2011	(\$1,386,601)	26.0
2012	(\$2,407,653)	30.0

Fiscal Analysis

The bill would allow the Board of Regents of University of North Texas System to establish and operate a school of law in the city of Dallas.

Methodology

It is assumed for the purposes of this fiscal note that tuition revenue bonds, in the amount of \$30 million, would be used to finance construction of the law school. Thus the fiscal impact of the bill will be broken down between faculty, maintenance costs and debt service.

The University of North Texas System indicates that in fiscal year 2008 they will need to hire a Dean, Associate Dean of Admissions, Associate Dean of Academics, Law Librarian, and administrative and support staff as well as provide operating funds to support the facilities and recruiting efforts. Total costs for these five FTEs is \$776,327. This amount includes salaries in the amount of \$582,434 and employee retirement and insurance in the amount of \$164,771. The remaining amount, approximately \$29,000, is for operating expenses.

In fiscal year 2009, the University of North Texas System indicates they would need to hire additional faculty and administrative staff in preparations for the first entering class. Ten additional FTEs would be hired including, five new faculty members and five new administrative members including library staff. The total cost for these additional FTEs is \$1,435,843 for salaries and \$406,200 for employee benefits. There would also be other operating costs including \$325,345 for maintenance and operation, \$468,812 in building expenses, and \$210,206 for library subscriptions/acquisitions. There would be increases in faculty and administrative staff in the future years reaching 30 FTEs in fiscal year 2012 as well as operating expenses as the law school grows in enrollment.

It is assumed the Tuition Revenue Bonds would be issued in fiscal year 2009, therefore there is no debt service included in Fiscal Year 2008. The cost for the debt service is based on a 20 year note with a 6% interest rate. Using these assumptions, the debt service is \$2,550,000 in fiscal year 2009, \$2,545,200 in fiscal year 2010, \$2,544,800 in fiscal year 2011 and \$2,546,400 in fiscal year 2012.

While General Revenue funding would be the only method of financing for fiscal year 2008 and fiscal year 2009, beginning in fiscal year 2010, statutory tuition (Fund 770) and institutional funds (including designated tuition) will be used to support the operation of the law school. Under provisions of the bill the school would be entitled to general academic formula funding.

The law school would be eligible to receive formula funding in fiscal year 2012. The UNT system indicates that the law school will generate \$805,067 in formula general revenue in fiscal year 2012 which has been included in the costs associated with this bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 769 University of North Texas System Administration, 781 Higher Education Coordinating Board

LBB Staff: JOB, MN, CT, RT, GO