

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**May 25, 2007**

**TO:** Honorable Tom Craddick, Speaker of the House, House of Representatives

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

**IN RE: HB3057** by Callegari (Relating to the acquisition of real property for public use.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3057, As Passed 2nd House, as it relates to proposed changes to the Education Code: a negative impact of (\$6,172,733) through the biennium ending August 31, 2009.

Regarding proposed changes to the Local Government Code and the Property Code, the amount of additional costs and overall negative fiscal impact to a condemnor under the provisions of the bill would vary by condemnor and by case, and therefore the fiscal impact to the state cannot be estimated.

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

Regarding proposed changes to the Local Government Code and the Property Code, the amount of additional costs and overall negative fiscal impact to a condemnor under the provisions of the bill would vary by condemnor and by case, and therefore the fiscal impact to the state cannot be estimated.

**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 <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable Revenue Gain/(Loss) from <i>EST OTH EDUC &amp;</i> <i>GEN INCO</i> <b>770</b>	Probable Revenue Gain/(Loss) from <i>INSTITUTIONAL</i> <i>FUNDS</i> <b>997</b>	Probable Savings/ (Cost) from <i>EST OTH EDUC &amp;</i> <i>GEN INCO</i> <b>770</b>
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)

<b>Fiscal Year</b>	<b>Probable Savings/ (Cost) from INSTITUTIONAL FUNDS 997</b>	<b>Change in Number of State Employees from FY 2005</b>
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 amend the Education Code to allow the Board of Regents of University of North Texas System to establish and operate a school of law in the city of Dallas.

The bill would amend the Local Government Code regarding procedures a municipality must follow when identifying property as having the characteristics of blight and before exercising powers of eminent domain.

The bill would amend the Property Code to require a department, agency, instrumentality, or political subdivision of this state to provide a relocation advisory service for an individual, family, business concern, farming or ranching operation, or nonprofit organization being displaced by the exercising of powers of eminent domain. This state or a political subdivision of this state would be required to pay moving expenses and rental supplements, make relocation payments, provide financial assistance to acquire replacement housing, and compensate for expenses incidental to the transfer of the property if an individual, family, business concern, farming or ranching operation, or nonprofit organization would be displaced in connection with acquisition of property. Under current statute, payment of these costs by the state or political subdivisions acquiring the property is optional.

The bill would also amend Chapter 214, Local Government Code, relating to the authority of a home-rule municipality to bring an action in district court against an owner of property that is not in substantial compliance with certain municipal ordinances. Under current statute, a home-rule municipality has this authority regarding residential property; whereas, the proposed change would broaden the authority to property in general. The bill would authorize a nonprofit organization appointed by a home-rule municipality as a receiver for property for which the municipality has brought an action for noncompliance of certain ordinances to claim a receivership fee as a part of the expenses and costs incurred in rehabilitating the property when providing an accounting to the district court. The receivership fee would be 10 percent of all costs and expenses incurred, including reasonable costs for labor and supervision.

## **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 percent 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.

Based on the analysis of the Texas Department of Transportation, it is assumed the provisions of the bill related to exercising the power of eminent domain would result in increased costs for the acquisition of highway right of way through condemnation. Because the factors considered in evaluating the financial or economic damages to the owner of the property to be condemned would vary by case, any additional costs or negative fiscal implications to the state cannot be determined.

### **Local Government Impact**

The negative fiscal impact to a political subdivision as a result of proposed changes to the Local Government Code and the Property Code regarding eminent domain would vary depending on the number of property acquisitions for which the additionally listed costs would be required, and therefore cannot be determined; however, it could be significant. No significant fiscal impact to units of local government is anticipated related to other provisions of the bill.

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

**LBB Staff:** JOB, KJG, DB, MN, CT, RT, GO