

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 27, 2007

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

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

IN RE: HB3556 by Ortiz, Jr. (Relating to the establishment of a school of engineering at Texas A&M University--Corpus Christi.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3556, As Introduced: a negative impact of (\$6,237,382) 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	\$0
2009	(\$6,237,382)
2010	(\$6,237,382)
2011	(\$6,237,382)
2012	(\$6,237,382)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2008	\$0
2009	(\$6,237,382)
2010	(\$6,237,382)
2011	(\$6,237,382)
2012	(\$6,237,382)

Fiscal Analysis

The bill would allow the board of regents of the Texas A&M University System to establish and operate an engineering school at Texas A&M University - Corpus Christi.

Methodology

The Higher Education Coordinating Board estimates annual start-up and operations costs based on the costs for establishing and operation of similar programs at other universities. It is assumed that the total fiscal impact will include faculty and staff salaries, maintenance costs and building construction, but that these costs would not be incurred before fiscal year 2009 because of the time needed to plan and design buildings and obtain the proper course designs and accreditation for the school.

Administrative and faculty salaries, maintenance and equipment are estimated at \$2,750,000 per year beginning in fiscal year 2009 and continuing through fiscal year 2012. It is assumed that a portion of these costs will eventually be financed through formula funding and tuition once the school is operational.

In addition, it is assumed for the purposes of this fiscal note that tuition revenue bonds, in the amount of \$40 million for buildings and equipment, would be used to finance construction of the engineering school and would be issued in 2009. The cost to issue the bonds is based on an assumed 20-year, tax-exempt bond issue structured with level debt service with a 6% interest rate. The debt service payment for each year would be \$3,487,382.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board, 710 Texas A&M University System
Administrative and General Offices

LBB Staff: JOB, MN, RT, SSh