

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

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

**April 29, 2007**

**TO:** Honorable Judith Zaffirini, Chair, Senate Committee on S/C on Higher Education

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

**IN RE: SB420** by Lucio (Relating to establishing a health science center and medical school in the Rio Grande Valley.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB420, As Introduced: a negative impact of (\$28,000,000) through the biennium ending August 31, 2009.

**General Revenue-Related Funds, Five-Year Impact:**

| <b>Fiscal Year</b> | <b>Probable Net Positive/(Negative)<br/>Impact to General Revenue Related<br/>Funds</b> |
|--------------------|---|
| 2008               | (\$13,000,000)  |
| 2009               | (\$15,000,000)  |
| 2010               | (\$25,000,000)  |
| 2011               | (\$30,000,000)  |
| 2012               | (\$35,000,000)  |

**All Funds, Five-Year Impact:**

| <b>Fiscal Year</b> | <b>Probable Savings/(Cost) from<br/>GENERAL REVENUE FUND<br/>1</b> |
|--------------------|--|
| 2008               | (\$13,000,000)   |
| 2009               | (\$15,000,000)   |
| 2010               | (\$25,000,000)   |
| 2011               | (\$30,000,000)   |
| 2012               | (\$35,000,000)   |

| <b>Fiscal Year</b> | <b>Change in Number of State<br/>Employees from FY 2007</b> |
|--------------------|---|
| 2008               | 30.0  |
| 2009               | 45.0  |
| 2010               | 80.0  |
| 2011               | 100.0   |
| 2012               | 115.0   |

## **Fiscal Analysis**

The provisions of the bill would convert the Lower Rio Grande Valley Academic Health Center into a freestanding University of Texas Health Science Center- Rio Grande Valley (Institution) within The University of Texas System and require a medical school to be established no later than the 2009-2010 academic year. The new institution would be eligible to participate in the Available University Fund and the Permanent Health Fund for Higher Education. Facilities built with tuition revenue bonds for the Regional Academic Health Center would be transferred to the new Center.

Facilities and financial obligations of the existing Regional Academic Health Center, which is currently affiliated with The University of Texas Health Science Center at San Antonio and The University of Texas Health Science Center at Houston, would be transferred to the new freestanding Health Science Center. The existing Regional Academic Health Center consists of public health, nursing, and allied health programs at various locations in the region. The institution would incur new costs to administer and accredit the existing programs independent of its affiliated partners. Third and fourth year medical students from The University of Texas Health Science Center at San Antonio currently complete rotations at the RAHC and are supervised by non-salaried local physicians. It is assumed that the institution would receive full four year medical school accreditation and add the first and second year programs. A new medical school would require its own administrative structure, the addition of salaried faculty and support staff, and additional facilities. Existing General Revenue appropriations for the RAHC would provide a minimal offset for the increased costs.

The provisions of the bill would also require the Higher Education Coordinating Board to supervise the new institution under Chapter 61 of the Education Code.

The bill would take effect September 1, 2007.

## **Methodology**

The University of Texas System estimates operating costs related to the medical school and other health academic programs would be \$13 million in fiscal year 2008 and \$15 million in fiscal year 2009. This would increase to \$25 million in fiscal year 2010 when the first 50 medical students enrolled in the first year and increase to \$30 million in fiscal year 2011 when the first year students become second year and a new first year class would be added.

In addition to a medical school dean and associate deans for research, clinical affairs, student affairs and related administrative support positions, multiple faculty in seven basic sciences and eight clinical science fields would need to be hired. Information technology, human resources/payroll, budget, internal audit, and student services staff would need to be hired. At the end of five years, there would be a total of 80 faculty members and 35 staff.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 720 The University of Texas System Administration, 781 Higher Education Coordinating Board

**LBB Staff:** JOB, MN, DE, RT