

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 28, 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: SB1400 by Lucio (Relating to the establishment of a school of law at The University of Texas at Brownsville.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1400, As Introduced: a negative impact of (\$6,372,619) 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	(\$305,688)
2009	(\$6,066,931)
2010	(\$7,090,647)
2011	(\$8,248,269)
2012	(\$8,508,920)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>EST OTH EDUC & GEN INCO 770</i>	Probable Revenue Gain/(Loss) from <i>INSTITUTIONAL FUNDS 997</i>	Probable Savings/ (Cost) from <i>EST OTH EDUC & GEN INCO 770</i>
2008	(\$305,688)	\$0	\$0	\$0
2009	(\$6,066,931)	\$0	\$0	\$0
2010	(\$7,090,647)	\$523,429	\$1,017,600	(\$523,429)
2011	(\$8,248,269)	\$1,026,858	\$2,035,200	(\$1,026,858)
2012	(\$8,508,920)	\$1,540,287	\$3,052,800	(\$1,540,287)

Fiscal Year	Probable Savings/ (Cost) from <i>INSTITUTIONAL FUNDS 997</i>
2008	\$0
2009	\$0
2010	(\$1,017,600)
2011	(\$2,035,200)
2012	(\$3,052,800)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	2.0
2009	22.0
2010	32.0
2011	43.0
2012	43.0

Fiscal Analysis

The bill would allow the board of regents of the University of Texas System to establish and operate the Reynaldo G. Garza law school at the University of Texas at Brownsville.

Methodology

The University of Texas System indicates that in fiscal year 2008 they will need to hire two support staff at a total cost for salaries and benefits of \$155,688. The remaining amount, approximately \$150,000, is for professional services

In fiscal year 2009, the University of Texas System indicates they would need to hire additional faculty and administrative staff in preparations for the first entering class. Twenty additional FTEs would be hired including, faculty members and support staff. The total cost for these additional FTEs is \$1,741,679 for salaries and employee benefits. There would also be operating expenses totaling \$809,593 per year as well as equipment costs of \$75,000 per year. There would be increases in faculty and administrative staff in the future years reaching 43 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 \$2,005,245 per year beginning in fiscal year 2009. There would also be costs associated with the library collection of \$1 million per year beginning in fiscal year 2009.

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) from students will be used to support the operation of the law school. The first entering class, starting in fiscal year 2010, will be approximately 100 students increasing to 200 students by fiscal year 2012.

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, GO, MN, RT, SSh