

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 3, 2009

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

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

IN RE: HB59 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 HB59, As Introduced: a negative impact of (\$8,524,839) through the biennium ending August 31, 2011.

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
2010	(\$1,914,478)
2011	(\$6,610,361)
2012	(\$7,245,485)
2013	(\$7,038,038)
2014	(\$7,342,600)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Revenue Gain from <i>Est Oth Educ & Gen</i> <i>Inco</i> 770	Probable (Cost) from <i>EST OTH EDUC &</i> <i>GEN INCO</i> 770	Probable Revenue Gain from <i>Institutional Funds</i> 997
2010	(\$1,914,478)	\$0	\$0	\$0
2011	(\$6,610,361)	\$112,500	(\$112,500)	\$704,076
2012	(\$7,245,485)	\$371,064	(\$371,064)	\$1,467,223
2013	(\$7,038,038)	\$520,914	(\$520,914)	\$2,548,739
2014	(\$7,342,600)	\$871,108	(\$871,108)	\$2,657,276

Fiscal Year	Probable (Cost) from <i>Institutional Funds</i> 997	Change in Number of State Employees from FY 2005
2010	\$0	15.0
2011	(\$704,076)	23.0
2012	(\$1,467,223)	26.0
2013	(\$2,548,739)	30.0
2014	(\$2,657,276)	33.0

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. The bill would authorize the University of North Texas System to issue additional tuition revenue bonds in an amount not to exceed \$30 million to establish the school of law. Under provisions of the bill, the Higher Education Coordinating Board would be required to conduct a feasibility study to determine the actions the University of North Texas System must take to obtain accreditation of the law school.

Methodology

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 2010 they will need to hire seven faculty and eight administrative staff. Total costs for these fifteen FTEs is \$1,556,193. This amount includes salaries in the amount of \$1,210,386 and employee retirement and insurance in the amount of \$345,8071. There would also be approximately \$358,285 for operating expenses.

In fiscal year 2011, the University of North Texas System indicates they would need to hire additional faculty and administrative staff in preparations for the first entering class. Eight additional FTEs would be hired including, seven new faculty members and one new administrative member. The total cost for all twenty-three FTEs is \$2,523,547 for salaries and \$720,977 for employee benefits. There would also be other operating costs including \$1,567,413 for operation expenses. There would be increases in faculty and administrative staff in the future years reaching 33 FTEs in fiscal year 2014 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 2011, therefore there is no debt service included in Fiscal Year 2011. 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 \$2,615,000 in fiscal year 2011, \$2,616,100 in fiscal year 2012, \$2,614,200 in fiscal year 2013 and \$2,616,100 in fiscal year 2014.

While General Revenue funding would be the only method of financing for fiscal year 2010, beginning in fiscal year 2011, statutory tuition (Fund 770) and institutional funds (including designated tuition and other fees) will be used to support the operation of the law school. Beginning in fiscal year 2012, the law school would be eligible for formula funding. The University of North Texas system indicates that the law school will generate \$437,743 in formula general revenue in fiscal year 2012 and fiscal year 2013 and \$1,488,324 in fiscal year 2014. The formula funding has been included in the costs associated with the bill.

The Higher Education Coordinating Board indicates that outside consultants, who are experienced with the full procedures of both ABA and SACS accreditation, would be needed for the feasibility study. These costs would be absorbed within current resources.

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, 352 Bond Review Board

LBB Staff: JOB, GO, KK, RT