

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 4, 2009

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

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

IN RE: HB91 by Martinez, "Mando" (Relating to the establishment by The University of Texas System of a law school in the Rio Grande Valley.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB91, As Introduced: a negative impact of (\$11,453,913) 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	(\$4,916,481)
2011	(\$6,537,432)
2012	(\$8,173,663)
2013	(\$8,966,754)
2014	(\$10,231,549)

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	(\$4,916,481)	\$0	\$0	\$0
2011	(\$6,537,432)	\$240,000	(\$240,000)	\$860,000
2012	(\$8,173,663)	\$360,000	(\$360,000)	\$1,290,000
2013	(\$8,966,754)	\$480,000	(\$480,000)	\$1,720,000
2014	(\$10,231,549)	\$600,000	(\$600,000)	\$2,150,000

Fiscal Year	Probable (Cost) from <i>Institutional Funds</i> 997	Change in Number of State Employees from FY 2005
2010	\$0	4.0
2011	(\$860,000)	17.0
2012	(\$1,290,000)	29.0
2013	(\$1,720,000)	37.0
2014	(\$2,150,000)	44.0

Fiscal Analysis

Under provisions of the bill the University of Texas System could establish a law school in Cameron

County or Hidalgo County. The Higher Education Coordinating Board would prepare a feasibility study to assist the Board of Regents of the University of Texas System in establishing the law school.

Methodology

The fiscal impact of the bill will be broken down between staff costs and construction costs including library acquisitions.

The University of Texas System indicates that in fiscal year 2010 they will need to hire a Dean, a Director of Admissions and two support staff to help start the law school at a total cost for salary and benefits of \$531,934. The remaining amounts, approximately \$150,000, is for professional services.

It is assumed that Tuition Revenue Bonds would be used to finance construction of a new law building. The University of Texas System indicates that the new building would cost \$37,125,000. The cost for debt service for the building is \$3,234,547 per year based on a 20 year note with a 6% interest rate. Beginning in fiscal year 2010 there would also be library acquisition costs of \$1,000,000 per year.

In fiscal year 2011, beginning with the first entering class, thirteen additional faculty and administrative staff would be hired. Total cost for the seventeen faculty and staff including salaries and benefits would be \$2,302,885. These costs would increase in the out years as more faculty and administrative staff are hired as enrollment grows.

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) from students will be used to support the operation of the law school. The first entering class will enroll approximately 100 students increasing to maximum enrollment of 250 in fiscal year 2014. Beginning in fiscal year 2012, the law school would be eligible for formula funding. It is estimated that the formula funding for fiscal year 2012 and 2013 would be approximately \$539,928 per year and \$1,079,856 for fiscal year 2014. The formula funding has been included in the costs associated with the bill.

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, KK, RT