

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: HB110 by Pena (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 HB110, As Introduced: a negative impact of (\$34,300,000) 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	(\$14,200,000)
2011	(\$20,100,000)
2012	(\$35,149,432)
2013	(\$44,254,163)
2014	(\$49,554,163)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Probable Revenue Gain/ (Loss) from Est Oth Educ & Gen Inco 770	Probable Savings/(Cost) from Est Oth Educ & Gen Inco 770
2010	(\$14,200,000)	\$0	\$0
2011	(\$20,100,000)	\$0	\$0
2012	(\$35,149,432)	\$244,432	(\$244,432)
2013	(\$44,254,163)	\$488,564	(\$488,564)
2014	(\$49,554,163)	\$688,828	(\$688,828)

Fiscal Year	Change in Number of State Employees from FY 2007
2010	30.0
2011	55.0
2012	90.0
2013	110.0
2014	125.0

Fiscal Analysis

The provisions of the bill would establish The University of Texas Health Science Center- Rio Grande Valley (Institution) within The University of Texas System and provide the authority to establish a medical school and other health-related degree programs. 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 (RAHC) would be transferred to the new Institution.

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, would be converted to the new Health Science Center- Rio Grande Valley not later than the 2011-12 academic year.

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 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 immediately if received two-thirds vote, if not, it would take effect September 1, 2009.

Methodology

The following estimate is only based on increased costs associated with the medical education component. The University of Texas System estimates operating costs related to the new medical school and other health academic programs would be \$13.7 million in fiscal year 2010 and \$19.7 million in fiscal year 2011. It is assumed the first class consisting of 50 medical students would be admitted in 2012, which would increase costs to \$34.1 million. The second year class would increase costs to \$43.3 million in fiscal year 2013 when the first year students become second year and a new first year class would be added. Based on current funding rates for the Instruction and Operations formula, it is estimated that additional funding would be needed to fund the additional students starting in fiscal year 2012. It is also anticipated that the institution would receive statutory tuition to partially fund its operations.

There would be some designated tuition affiliated with the new students starting in 2012 but are not identified.

The Higher Education Coordinating Board estimates that there would be a need for medical residency programs with an initial cost of \$1 million for the 2010-11 biennium to develop the programs and an additional \$1 million in subsequent biennia for 49 residents.

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 90 faculty members and 35 staff.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

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