

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 2, 2019

TO: Honorable Chris Turner, Chair, House Committee on Higher Education

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB327 by Ortega (Relating to the establishment of a public law school in El Paso County.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB327, As Introduced: a negative impact of (\$11,602,886) through the biennium ending August 31, 2021.

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
2020	(\$6,554,857)
2021	(\$5,048,029)
2022	(\$4,588,918)
2023	(\$4,129,806)
2024	(\$3,670,694)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain from Est Oth Educ & Gen Inco 770	Probable (Cost) from Est Oth Educ & Gen Inco 770	Probable Revenue Gain from Institutional Funds 8888
2020	(\$6,554,857)	\$0	\$0	\$0
2021	(\$5,048,029)	\$192,000	(\$192,000)	(\$2,600,000)
2022	(\$4,588,918)	\$288,000	(\$288,000)	(\$3,900,000)
2023	(\$4,129,806)	\$384,000	(\$384,000)	(\$5,200,000)
2024	(\$3,670,694)	\$480,000	(\$480,000)	(\$6,500,000)

Fiscal Year	Probable (Cost) from Institutional Funds 8888	Change in Number of State Employees from FY 2015
2020	\$0	4.0
2021	\$2,600,000	15.0
2022	\$3,900,000	23.0
2023	\$5,200,000	31.0
2024	\$6,500,000	39.0

Fiscal Analysis

The bill relates to the establishment of a public law school in El Paso County. Under provisions of the bill, the governing board of a university system that intends to establish a school of law shall notify the Higher Education Coordinating Board (Board). The bill requires the Board to prepare a feasibility study to determine actions the university system must take to obtain accreditation of the law school. The bill would authorize the issuance of revenue bonds to support the law school.

Methodology

For purposes of this fiscal note, it is assumed that The University of Texas System would establish the law school in fiscal year 2020. The fiscal impact of the bill will be broken down between faculty and costs associated with the construction of the law school.

The University of Texas System indicates that in fiscal year 2020 they will need to hire a dean and three support staff to start the law school. Total costs for these four FTEs is \$795,857. This amount includes salaries in the amount of \$589,000 and employee retirement and insurance in the amount of \$206,857. There would also be approximately \$245,000 for operating expenses, including one time costs associated with obtaining accreditation from the American Bar Association.

In fiscal year 2021, The University of Texas System indicates they would need to hire 11 additional FTEs which includes six faculty and five additional administrative staff in preparation for the first entering class. The total cost for these FTEs is \$1,538,654 for salaries and \$540,375 for employee benefits. There would also be other operating costs including \$55,000 for operating expenses. There would be increases in faculty and administrative staff in the future years reaching 39 FTEs in fiscal year 2024 as the school grows in enrollment.

The University of Texas System estimates that the new law school building would cost \$52,500,000. Bonds for the law school building are assumed to be issued on September 1, 2019, at a 6 percent interest rate with a 20-year level debt service amortization. Based on calculations prepared by The University of Texas System, the amount of debt service payments would be \$4.6

million per year beginning in fiscal year 2020. The University of Texas System also indicates there would be costs associated with the library collection of approximately \$0.9 million per year beginning in fiscal year 2026.

While General Revenue funding would be the only method of financing for fiscal year 2020, beginning in fiscal year 2021, statutory tuition (Fund 770) and institutional funds (including designated tuition and other fees) will be used to support the operation of the law school. In 2021, it is estimated 100 students would enroll in the first class of the law school. These students would generate approximately \$192,000 in statutory tuition and \$2.4 million in institutional funds. The revenue from statutory tuition and institutional funds would increase as an additional 50 students are added per year. This revenue would be used to support the operation of the law school, which is represented as a cost to these funds above.

Beginning in fiscal year 2024, the law school would be eligible for formula funding. The University of Texas system indicates that the law school would generate \$1,278,055 in formula general revenue in fiscal year 2024. 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 studies. These costs would be absorbed within current resources.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 352 Bond Review Board, 710 Texas A&M University System Administrative and General Offices, 719 Texas State Technical College System Administration, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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