

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**March 24, 2021**

**TO:** Honorable Jim Murphy, Chair, House Committee on Higher Education

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB199** 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 HB199, As Introduced : a negative impact of (\$11,825,623) through the biennium ending August 31, 2023.

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:**

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$6,752,629)
2023	(\$5,072,994)
2024	(\$5,007,223)
2025	(\$4,849,405)
2026	(\$5,303,193)

**All Funds, Five-Year Impact:**

<i>Fiscal Year</i>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>	<b>Probable Revenue Gain from Est Oth Educ &amp; Gen Inco 770</b>	<b>Probable (Cost) from Est Oth Educ &amp; Gen Inco 770</b>	<b>Probable Revenue Gain from Institutional Funds 8888</b>
2022	(\$6,752,629)	\$0	\$0	\$0
2023	(\$5,072,994)	\$192,000	(\$192,000)	\$2,600,000
2024	(\$5,007,223)	\$288,000	(\$288,000)	\$3,900,000
2025	(\$4,849,405)	\$384,000	(\$384,000)	\$4,754,806
2026	(\$5,303,193)	\$480,000	(\$480,000)	\$5,595,690

<i>Fiscal Year</i>	<b>Probable (Cost) from Institutional Funds 8888</b>	<b>Change in Number of State Employees from FY 2015</b>
2022	\$0	4.0
2023	(\$2,600,000)	15.0
2024	(\$3,900,000)	23.0
2025	(\$4,754,806)	31.0
2026	(\$5,595,690)	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 2022. 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 2022 they will need to hire a dean and three support staff to start the law school. Total costs for these four FTEs is \$807,629. This amount includes salaries in the amount of \$609,439 and employee retirement and insurance in the amount of \$198,190. 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 2023, 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 \$1,592,208 for salaries and \$517,786 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 2026 as the school grows in enrollment.

The University of Texas System estimates that the new law school building would cost \$63,875,000. Bonds for the law school building are assumed to be issued on September 1, 2021, at a 4 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 \$4.7 million per year beginning in fiscal year 2022. The University of Texas System also indicates there would be costs associated with the library collection of approximately \$1.0 million per year beginning in fiscal year 2022.

The University of Texas System estimates that beginning in 2024, the law school would be eligible for formula funding based on an enrollment count of 100 students. The System estimates that the law school would generate

\$476,860 in General Revenue funding in fiscal year 2024 and 2025 and \$953,719 in fiscal year 2026 as enrollment increases. The formula funding has been included in the General Revenue costs associated with the bill beginning in fiscal year 2024.

While General Revenue funding would be the only method of financing for fiscal year 2022, beginning in fiscal year 2023, 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 2023, 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 \$2.6 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.

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 Univ System Admin, 719 TSTC System Admin, 720 UT Sys Admin, 758 Texas State University System, 768 Texas Tech Univ Sys Admin, 769 UNT System Administration, 781 Higher Education Coordinating Board, 783 Univ of Houston Sys Admin

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