

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 7, 2025

TO: Honorable Terry M. Wilson, Chair, House Committee on Higher Education

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB125 by Slawson (Relating to the creation of the Tarleton State University College of Osteopathic Medicine.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB125, As Introduced: a negative impact of (\$25,000,000) through the biennium ending August 31, 2027.

This analysis assumes Tarleton State University College of Osteopathic Medicine would receive formula funding beginning in fiscal year 2030 based on expected enrollment starting in Fall 2028. While the estimated formula funding is based on current rates and estimated data, the fiscal impact will be dependent on future formula rates and inputs, including enrollment, infrastructure data, and research expenditures.

General Revenue-Related Funds, Ten- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2026	(\$12,500,000)
2027	(\$12,500,000)
2028	(\$12,500,000)
2029	(\$12,500,000)
2030	(\$18,419,734)
2031	(\$18,419,734)
2032	(\$27,846,253)
2033	(\$27,846,253)
2034	(\$37,596,944)
2035	(\$37,596,944)

All Funds, Ten-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>	<i>Probable Savings/(Cost) from Est. Other Educational & General 770</i>	<i>Probable Revenue Gain/(Loss) from Est. Other Educational & General 770</i>	<i>Change in Number of State Employees from FY 2025</i>
2026	(\$12,500,000)	\$0	\$0	53.9
2027	(\$12,500,000)	\$0	\$0	53.9
2028	(\$12,500,000)	\$0	\$0	53.9
2029	(\$12,500,000)	\$0	\$0	53.9
2030	(\$18,419,734)	(\$491,187)	\$491,187	75.6
2031	(\$18,419,734)	(\$491,187)	\$491,187	75.6
2032	(\$27,846,253)	(\$2,207,069)	\$2,207,069	120.2
2033	(\$27,846,253)	(\$2,207,069)	\$2,207,069	120.2
2034	(\$37,596,944)	(\$3,680,632)	\$3,680,632	165.1
2035	(\$37,596,944)	(\$3,680,632)	\$3,680,632	165.1

Fiscal Analysis

The bill would create the Tarleton State University College of Osteopathic Medicine (TSUCOM) under the management and control of the board of regents of the Texas A&M University System with degrees offered under the name and authority of Tarleton State University. The bill would authorize a teaching hospital to be provided by a public or private entity if considered suitable by the Texas A&M University System board of regents. The bill would make TSUCOM eligible to receive distributions from the Permanent Health Fund.

Methodology

Non-Formula Support Item Funding (beginning in 2026-27). Tarleton State University has requested \$12.5 million in start-up funding for TSUCOM in each year of the 2026-27 biennium. For the purposes of this fiscal note, funding for this request is continued in each of the eight years following, assuming that start-up funding would be provided until full enrollment is achieved and full formula funding is provided.

Formula Funding. It is assumed TSUCOM would receive funding through the four primary formulas providing funding to all existing Health-Related Institutions (HRIs), including the Instructions and Operations Support formula, the Infrastructure Support formula, the Research Enhancement formula, and the Graduate Medical Education formula. An institution receives formula funding when formula inputs are reflected in the base year data used to conduct formula calculations (the base year usually falls two years before the first year of the biennium for which formula calculations are made). In the tables above, formula funding costs are added to non-formula start-up funding costs beginning in 2030 and continue in subsequent years.

The institution provided predicted enrollment numbers for future years, but for other formula inputs where a predicted amount was not provided, an estimate was used based on similar data from existing and comparable institutions. Actual formula costs generated in future fiscal years will vary from estimated amounts and may result in actual costs that exceed the estimates provided.

While General Revenue funding is the primary method of finance for formula funding, the Instruction and Operations Support formula and the Infrastructure Support formula, use an All Funds rate that includes estimated statutory tuition (GR-D 770). TSUCOM plans to collect a level of GR-D 770 similar to the per student average of the two existing osteopathic medical schools in Texas – Sam Houston State University College of Osteopathic Medicine and the University of North Texas Health Science Center's Texas College of Osteopathic Medicine.

Instruction and Operations (I&O) Support Formula (beginning in 2030-31). Based on information submitted by the institution, it is assumed that in the first year TSUCOM is operational, fiscal year 2029 (enrollment beginning in Fall 2028), it would enroll 75 students. Enrollment would increase each subsequent

year until maximum enrollment is reached in fiscal year 2034 (enrollment Fall 2033) at 600 students. Based on these enrollment assumptions, the first biennium TSUCOM would be eligible for formula funding allocations would be the 2030-2031 biennium, using Spring 2029 enrollment data.

Using an annual All Funds rate of \$9,689 per full-time student equivalent (FTSE) and a weight of 4.753, the I&O formula rate and Medical Education weights for HRIs in the 2024-25 biennium, it is estimated that the All Funds I&O formula allocation for students enrolled at TSUCOM would be \$4,859,964 in each fiscal year of the 2030-31 biennium (75 FTSEs), \$15,518,689 in each fiscal year of the 2032-33 biennium (337 FTSEs), and \$25,879,832 in each fiscal year of the 2034-35 biennium (562 FTSEs).

Infrastructure Support Formula (beginning in 2030-31). It is assumed that TSUCOM would receive \$136,864 in each fiscal year of the 2030-31 biennium in All Funds, if using the 2024-25 formula rate, based on the average square footage predicted per student for other osteopathic medical schools of similar age. The formula would provide \$614,975 per fiscal year of the 2032-33 biennium, and \$1,025,567 per fiscal year of the 2034-35 biennium if the formula rate and averages used are held constant while enrollment increases.

Research Enhancement Formula (beginning in 2030-31). The total amount of research expenditures could not be predicted reliably since the institution is not currently in operation and, as a result, does not report research expenditures to the Texas Higher Education Coordinating Board. However, the Research Enhancement formula provides base funding of \$1,412,500 each fiscal year to each HRI, regardless of research expenditures. For the purposes of this analysis, it is assumed that TSUCOM will receive only the base funding provided by the formula in each fiscal year of the 2030-31 biennium and in each fiscal year following. No state match of research expenditures is assumed though it is expected that TSUCOM will have a level of research expenditures above \$0 in future biennia which would be matched at 1.17 percent by the formula.

Graduate Medical Education (GME) Formula (beginning in 2034-35). The institution expects its number of residents to coincide with its number of medical school graduates. With the first class of students graduating in Spring 2032, residents would not be placed until that year. The earliest GME formula allocation would not be received until 2034-35 when 2032 data is used as the base year in formula calculations. The formula estimate in the 2034-35 biennium assumes the number of residents in 2032 to be 75 (2028 enrollment) then growing to include the number of graduates in each class following.

Based on predicted enrollment numbers and using the 2024-25 GME formula rate, the GME formula is estimated to provide TSUCOM \$447,741 in each fiscal year of the 2034-35 biennium.

Other Funding-Related Considerations

Permanent Health Fund (PHF). The bill specifies that TSUCOM would become eligible for PHF distributions. Total PHF distribution across all HRIs is dependent on the performance of the fund. TSUCOM's participation in the PHF would not result in any additional cost to the fund but would divide the total distribution across an increased number of HRIs.

Full-time Equivalent Positions. Assumptions for full-time equivalent positions (FTEs) use the current HRI FTE methodology which provides 1.0 FTE for every \$250,000 in formula General Revenue and General Revenue-Dedicated funding provided to the institution.

It is assumed that any remaining costs, including faculty and construction costs, associated with the new medical school would be covered by existing institutional resources or constitutional funds allocated for that purpose.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 710 Texas A&M University System Administrative and General Offices, 781 Higher Education Coordinating Board

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