

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 6, 2013

TO: Honorable Kel Seliger, Chair, Senate Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1000 by Oliveira (Relating to the creation of a new university in South Texas within The University of Texas System.), **As Engrossed**

No significant fiscal implication to the State is anticipated. As such time as the medical school becomes operational, state costs associated with formula funding, as detailed below, will be realized.

The bill creates a new university in South Texas within the University of Texas System that includes the operations and programs of two existing universities, The University of Texas at Brownsville (UTB) and The University of Texas at Pan American (UTPA), the currently statutory authorized medical school in South Texas, and the facilities and operations of the Lower Rio Grande Health Center (RAHC) associated with The University of Texas Health Science Center at San Antonio. Under provisions of the bill the new university is a general academic teaching institution under the governance, management, and control of the Board of Regents of the University of Texas System (Board). Under provisions of the bill, a department, school or degree program may not be instituted without the prior approval of the Higher Education Coordinating Board, unless previously approved by the University of Texas-Pan American or the University of Texas at Brownsville or expressly authorized by the bill or other law.

The bill requires the Board to establish a Center for Border Economic and Enterprise Development (Center) at the new university. The Center may develop and manage an economic database concerning the Texas-Mexico border, perform economic development planning and research, provide technical assistance to industrial and governmental entities and in corporation with other state agencies coordinate economic and enterprise development planning activities of state agencies to ensure that the economic needs of the Texas-Mexico border are integrated within a comprehensive state economic development plan. Currently UT-B and UTPA receive funding for the Center through state appropriations

The bill requires the Board to establish a Texas Academy of Mathematics and Science (Academy). The Academy is a coeducational program for selected Texas high school students with an interest in and the potential to excel in mathematics and science studies. The Academy would admit only high school juniors and seniors except the Academy could admit a student with exceptional abilities who is not yet a high school junior. Under provisions of the bill, the Board is required to set aside space at the new university for the Academy. Currently UT-B receives funding for the program through the foundation school fund.

The bill allows the new university to participate in the Permanent University Fund if the Act

receives a vote of two-thirds of the membership of each house of the Legislature. Currently UTB and UTPA are eligible for the Higher Education Fund. The bill provides for the abolition of UTB and UTPA at a date to be determined by the Board. The bill requires the Board to set up a advisory group to assist in the designing, organizing and implementing a medical school to serve the Rio Grande Valley. Recommendations to the Board would include the best locations for the medical school administration and operations.

For purposes of this fiscal note it is assumed that the combination of The University of Texas Pan American and The University of Texas at Brownsville would not result in any additional general costs to the state. It is also assumed that funding for the Center for Border Economic and Enterprise Development and the Texas Academy of Mathematics and Science, which are currently supported by the two institutions, would continue to be supported in this manner and no additional state support would be needed.

It is assumed that in the first year the medical school is operational, it would enroll 50 medical students. Using a formula base value of \$8.874 and a weight of 4.753, it is estimated that the All Funds formula cost for these students would be \$2.1 million. It is assumed that the formula statutory tuition income for those students would be \$175,048 and that the General Revenue formula cost would be approximately \$1.9 million. It is assumed that 50 students would enter the school each year until enrollment reached 200. The formula costs associated with 200 students would be \$7.7 million in General Revenue and the anticipated statutory tuition would be \$700,193.

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. It is also assumed that participation in the Permanent University Fund instead of the Higher Education Fund would not result in any additional costs or savings to the two funds. Any costs associated with the advisory group would be absorbed within current resources.

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: UP, GO, KK, SK