Dear Ms. Parks:

The Coordinating Board has authorized me to forward the following higher education impact statement on Senate Bill 566. The Coordinating Board submits higher education impact statements at the request of the Legislative Budget Board in accordance with Senate rules when proposed legislation “authorizes or requires a change in the classification, mission or governance structure of an institution of higher education or would establish such an institution.”

The companion bill for Senate Bill 566 is House Bill 1610. The proposed bills would allow The University of Texas System, Board of Regents (BoR) to establish a school of pharmacy at The University of Texas at Tyler (UTT). The BoR would provide for the operations and capital expenses of the school to be supported by gifts, grants, and other institutional funds. The school would not be eligible for formula funding for instruction, operations, or infrastructure as part of state appropriations.

General Institutional Information and Related Degree Programs

UTT was founded in 1971 under the name Tyler State College and became a part of The University of Texas System in 1979. It was originally an upper-division only institution; in 1998 it was authorized to begin enrolling freshman, sophomore, and graduate students.

UTT’s current total enrollment is 6,875 students, consisting of 5,251 undergraduates and 1,624 graduate students. Its Fiscal Year (FY) 2011 six-year graduation rate was 53.3 percent. The university employs 388 faculty and its FY 2011 research expenditures were $2.7 million. Its program inventory consists of 47 bachelor’s degrees, 41 master’s degrees, and 2 doctoral degrees. In FY 2012, UTT awarded 1,630 degrees, consisting of 1,144 bachelor’s, 469 master’s, and 16 doctoral. During the past three years of review, 11 of UTT’s programs failed to meet the productivity thresholds for low-producing programs. None of these low-producing programs were in health-related or science disciplines that might directly contribute to a PharmD program.
The institution currently offers two doctoral degree programs. One is a health-related program, a Doctor of Philosophy (PhD) in Nursing, which is now in its fourth year of operation. The other doctoral degree program is the PhD in Human Resource Development, which was approved in 2008, but did not officially begin until 2011.

UTT has three degree programs on their program inventory that could directly contribute to a proposed PharmD degree program: a bachelor and a master of science in biology, and a bachelor of science in chemistry.

Existing Pharmacy Schools

Texas currently has seven institutions of higher education that offer the Doctor of Pharmacy degree (PharmD), the entry level credential for becoming a pharmacist: Texas A&M University System Health Science Center in Kingsville; Texas Tech University Health Sciences Center in Amarillo with locations in Lubbock, Dallas, and Abilene; Texas Southern University in Houston; University of Houston; University of the Incarnate Word (a private institution) in San Antonio; University of North Texas Health Science Center at Fort Worth; and The University of Texas at Austin with satellite campuses in the Rio Grande Valley, El Paso, and San Antonio. In 2012, the six schools enrolled 2,757 PharmD students and awarded 681 PharmD degrees.

Need for a New Pharmacy School

The establishment of a pharmacy school at UTT would provide students access to pharmacy education in the East Texas region, where currently no pharmacy school exists.

The Texas Workforce Commission projects that Texas will need an additional 1,005 pharmacists for each year between 2010 and 2020. Licensee data from the Texas Board of Pharmacy (TBOP) show that the state exceeded that number for FY 2012. It reports that 1,594 new pharmacists were licensed, representing a net increase of 1,088 pharmacists for the year. With that year’s total, TBOP calculates that the state has seen a 21.8 percent net increase in pharmacists since 2006.

That increase is due, in part, to a substantial increase in the number of the nation’s accredited pharmacy schools. From 2006 to 2013, the number of schools increased from 85 to 132 schools with another 15 schools currently in some stage of pre-accreditation. In previous studies, Coordinating Board staff noted the relationship between these national trends and the state’s ability to attract new pharmacists to the state.

In the last decade, Texas has been a net importer of pharmacists, a trend best reflected in statistics from TBOP’s 2012 data. Of the new licensees for FY 2012, 672 (42.2 percent) were in-state graduates, 788 (49.4 percent) were out-of-state graduates, and 134 (8.4 percent) were foreign graduates.

During this high growth period, Texas established three new pharmacy schools. Two are at public higher education institutions, Texas A&M University System Health Science Center at Kingsville and the University of North Texas Health Science Center at Fort Worth, while the third is at a private university, University of the Incarnate Word in San Antonio. Of the three new schools, Texas A&M University System Health Science Center has produced graduates, but has
not yet reached enrollment capacity. It expects to begin expanding its class size from 87 to 125 students once the Texas A&M University consolidation is finalized. The University of North Texas Health Science Center’s pharmacy school will enroll its first class of 80 students in fall 2013 and plans to increase to 100 students in 2014.

The creation of a new pharmacy school may adversely affect the ability of the state’s pharmacy schools to maintain a sufficient number of clinical sites for their students. The new University of North Texas Health Science Center’s pharmacy school may already have difficulty finding clinical sites in the Metroplex and surrounding areas. UTT’s remote location would likely make it difficult for the school to obtain a full cadre of clinical experiences in the East Texas region.

Among the more established schools, the University of Houston will increase its entering class size from 110 to 125 students in fall 2013 with plans to expand to 200 students, contingent on the construction of a new pharmacy school building.

The Coordinating Board estimates that these expansion efforts alone are expected to produce graduates that will likely bring Texas closer to the Texas Workforce Commission projection without any reliance on importing out-of-state and foreign graduates, and with its history of attracting pharmacists from out of state, Texas would likely continue to exceed workforce projections for the profession without the establishment of a new school at UTT.

UTT provided similar graduation projections for the state’s pharmacy schools. However the UTT estimate of the need for additional pharmacists did not include new pharmacy licensees who came to Texas upon graduation from schools outside the state or practicing pharmacists who moved to Texas.

In the short time that the Board had to review UTT’s data, Coordinating Board staff could not verify the school’s evidence of pharmacist shortages in the East Texas region. However, it is understood that, as with most health professions, regional shortages may exist, and traditionally shortages tend to be greater in rural and remote areas.

**UTT Business Plan**

UTT has developed a business plan for the proposed pharmacy school that is based on a model created by East Tennessee State University. The Tennessee model proposes that the pharmacy school would be self-sustaining through tuition and donations and the school would not require state appropriations for operation. The business plan also includes a partnership with the University of Texas Health Science Center at Tyler, which would lead the research efforts, while UTT would deliver the curriculum and manage the clinical rotations. If the proposed school is approved by June 2013, UTT estimates that the first class of 100 students would matriculate in fall 2015. While the projected revenue from 100 students ($3.2 million) would allow the school to cover first year projected operating costs ($3.05 million), the Coordinating Board notes that the projected first-year class size of 100 students is larger than what would normally be expected for a new school and larger than that of the two most recent Texas schools.
Fiscal Analysis

The proposed bills are not requesting formula funding at this time. However, if UTT requested formula funds, it would first qualify for formula funding in the 2016-2017 biennium. Based on the projected student headcounts in UTT’s business plan, UTT would receive $2.5 million in formula funding ($1 million in general revenue) for that two-year period.

In a February 20, 2013, conversation with Coordinating Board staff, the UTT leadership explained that the lack of state formula funding would be offset by tuition and fees charged to the pharmacy students. Estimated annual tuition for the PharmD degree program would be approximately $32,098 per student (or $1,000 per semester credit hour at 32 hours per year). This is approximately $2,000 more per year than what is charged of students enrolled at the private University of the Incarnate Word, which is the only independent institution offering the PharmD degree in Texas. The proposed resident tuition rate is almost double of that charged by The University of Texas at Austin, which has the highest PharmD tuition rate of the six public-supported state pharmacy schools. The following table compares current tuition rates for the state’s PharmD programs:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Public or Independent</th>
<th>Average 2012-13 Resident Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAMUS Health Science Center</td>
<td>Public</td>
<td>$7,738.00</td>
</tr>
<tr>
<td>Texas Southern University</td>
<td>Public</td>
<td>$11,830.00</td>
</tr>
<tr>
<td>TTU Health Sciences Center</td>
<td>Public</td>
<td>$13,731.25</td>
</tr>
<tr>
<td>University of Houston</td>
<td>Public</td>
<td>$15,482.25</td>
</tr>
<tr>
<td>University of the Incarnate Word</td>
<td>Independent</td>
<td>$30,000.00</td>
</tr>
<tr>
<td>UNT Health Science Center at Fort Worth*</td>
<td>Public</td>
<td>$14,480.00</td>
</tr>
<tr>
<td>UT Austin</td>
<td>Public</td>
<td>$17,597.00</td>
</tr>
<tr>
<td>UT Tyler (proposed)</td>
<td>Public</td>
<td>$32,098.00</td>
</tr>
</tbody>
</table>

* Fees may offset differences in tuition rates.
* This program will begin in fall 2013.
Source: American Association of Colleges of Pharmacy.

Pharmacy School Building

Based upon the Coordinating Board’s facilities inventory for fall 2012, UTT campus has 34 buildings with an average age of 16 and half years. Of the 34 buildings, 33 buildings are owned by UTT and one building is being leased. The UTT campus consists of 20 general purpose, six auxiliary, four physical plant, and four student housing buildings. The current UTT campus efficiency for its general purpose buildings is at 57 percent, suggesting an underutilization of approximately 25,000 net assignable square feet. The UTT Space Usage Efficiency (SUE) scores of 58 for classrooms and 92 for class laboratories with an overall score of 150 meet two of the three standards set forth by the Coordinating Board. This indicates room for improvement in the institution’s classroom usage efficiency.
The legislative appropriations request submitted by UTT requested an exceptional item for Tuition Revenue Bonds (TRBs) for a facility in Tyler. This request is for the construction of a Science, Technology, Engineering, and Mathematics (STEM) complex, including the renovation of the current business building. This request will provide 61,600 additional net assignable square feet to its current inventory, reducing the campus space deficit. The total project cost is estimated at $48.5 million and the TRB request is for $48.5 million. In the TRB submitted to the Coordinating Board, UTT noted that if the funds were not provided through the TRB, then the project would not be built.

UTT’s current underutilized campus space inventory with the addition of the requested TRB would support the additional enrollment of the PharmD program. If the accreditation process requires a stand-alone facility for the program, the construction of a new 41,000 gross square foot facility with a total project cost of $17.5 million would be required.

Statutory Considerations

The legal basis for UTT to set its own tuition, and thereby offset the lack of formula funding is likely related to Texas Education Code Section 54.545: Fees for Continuing Education Courses, which states:

Sec. 54.545. FEES FOR CONTINUING EDUCATION COURSES. (a) The governing board of an institution of higher education shall charge a reasonable fee to each person registered in a continuing education course at the institution. The board shall set the fee in an amount sufficient to permit the institution to recover the costs to the institution of providing the course.

(b) This section applies only to a course for which an institution does not collect tuition or receive formula funding, including an extension course, correspondence course, or other self-supporting course.

This Section has been used primarily by The University of Texas System institutions to set tuition rates for certain degree programs that provide access to extended education for post-baccalaureate, nontraditional students. An example would be The University of Texas at Austin’s Executive MBA program, which is intended for experienced business managers who have already earned a degree and elect to take courses on weekends to enhance their business careers.

In contrast, the PharmD program would admit full-time traditional students who have completed a minimum of two years of lower division instruction and would be seeking the sole degree that is required for licensure to become a pharmacist.

The Coordinating Board proposes that UTT’s use of this statute to set its own tuition rate for this type of program would be a precedent in the application of this Section. The Coordinating Board would like this section to be reviewed for its applicability to establishing a professional school and for setting tuition rates to recover costs of providing instruction for professional degrees.
Furthermore, it is uncertain whether or not UTT would be able to attract a sufficient number of students to the program given that the tuition would be almost twice the rate of the most expensive public school in the state. The Coordinating Board recommends a more extensive review of the feasibility of the plan that UTT has proposed.

**Recommendation**

Although UTT’s proposal to offer a self-sustaining pharmacy school has many appealing characteristics, the Coordinating Board needs to examine this proposal further before it can recommend that a new pharmacy school be established at UTT. The following issues should be given additional consideration.

Coordinating Board data show that the state is currently meeting the Texas Workforce Commission projected need for pharmacists. The expansion plans of the state’s existing schools will likely be sufficient to continue to meet or exceed any increase in those projections in the near future. The state can also continue to take advantage of the increase in the number of new pharmacy schools that has occurred nationwide. Texas offers a strong business environment that will continue to attract graduates and practicing pharmacists from out of state.

In the short time that the Coordinating Board had to review the UTT’s evidence of a pharmacist shortage, the Board could not verify projected shortages. It was noted that UTT projections did not include the number of out-of-state pharmacists entering Texas as part of its comparison of the number of new pharmacists to Texas Workforce Commission projections.

As a mostly rural area of the state, East Texas may have a greater need for pharmacists than other regions of the state; however the Coordinating Board had insufficient time to examine those differences.

Furthermore, the Coordinating Board suggests that establishing a professional school in a rural area is no guarantee that graduates of the school will practice in the area. That is evident in the practice patterns of new graduates of most health professions including pharmacists.

UTT offers an optimistic plan for building a PharmD program. However, the development of a new school deserves more analysis, at the campus, system, and Coordinating Board level. The university’s limited experience in offering doctoral degrees, its surplus of space, its remote location, and the scarcity of resources for pharmacy education bring into question the feasibility of the plan. The Coordinating Board also questions whether UTT would be competitive in attracting qualified students by charging twice as much as other schools.

Finally, the Coordinating Board contends that the use of continuing education units to deliver professional practice degrees also needs further review. The current statutory language is unclear as to whether it applies to this type of educational degree, and the concern is that public institutions may use this provision to deliver these types of programs at a high cost to residents of the state.
Ms. Ursula Parks  
March 29, 2013  
Page 7

The Coordinating Board welcomes the opportunity to comment upon proposed legislation affecting higher education. Please let me know if the Board or I can provide additional assistance regarding SB 566 or other proposed legislation.

Sincerely,

Raymund A. Paredes

C: Coordinating Board Members  
David Gardner

WAAR/cf