February 27, 2009

Mr. John O'Brien  
Executive Director  
Legislative Budget Board  
Robert E. Johnson Building, 5th Floor  
1501 N. Congress  
Austin, Texas 78701  

Dear Mr. O'Brien:

The Coordinating Board has authorized me to forward you the following higher education impact statement on Senate Bill 956. 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." Senate Bill 956 would authorize the Board of Regents of the University of North Texas System (UNT System) to establish and operate a law school in Dallas. The law school would become a professional school of the University of North Texas at Dallas (UNT-Dallas) five years after UNT-Dallas has been designated as a general academic teaching institution.

Given the limited State resources and a worsening budget environment, the Coordinating Board does not recommend the establishment of a law school at this time. Although Dallas is the largest city in the country without a public law school, data show that the Metroplex has sufficient lawyers to meet its needs. Reports indicate that Texas as a whole also has sufficient lawyers to meet current and projected workforce needs. In regard to the issue of higher educational needs in the Dallas area, we suggest that the aggressive development of the University of North Texas general campus in south Dallas, with its emphasis on undergraduate education in a community with one of the lowest educational attainment rates in the state, should be the highest priority. These conclusions were reached after examining the critical issues of establishing a new law school in Dallas, and we offer the following information for the Senate members' consideration.

Texas currently has four public law schools and five independent law schools. The public law schools are at Texas Southern University (Houston), Texas Tech University (Lubbock), the University of Houston, and The University of Texas at Austin. Independent law schools are Baylor University (Waco), St. Mary's University (San Antonio), South Texas College of Law (Houston), Southern Methodist University (Dallas), and Texas Wesleyan University (Fort Worth). The last law schools to receive American Bar Association approval were Texas
Wesleyan in 1994 and Texas Tech in 1969. In the last 20 years, the number of law school graduates has not increased as rapidly as the state’s population or the number of undergraduate degrees awarded from its public and independent institutions. From 1985-2007, the number of law graduates increased 12 percent while the state’s population increased 47 percent and undergraduate degrees awarded increased 67 percent.

Several workforce indicators show that the state currently produces a sufficient number of lawyers to meet workforce demand. The Texas Board of Bar Examiners reports that 2,973 lawyers, of whom 69 percent (2,049) were Texas law school graduates, passed the Texas Bar examination in 2007. Furthermore, the Texas Workforce Commission projects only 1,610 new lawyer hires per year through 2014, approximately half the number who passed the bar exam in 2007 and fewer than the projected number of new graduates. According to the U.S. Department of Labor, during economic downturns, the trend has been that applications to law schools increase while hiring of new lawyers decreases.

In considering the need for a new law school, Board staff also studied the opportunity for Texas residents to attend law school. One way to measure opportunity is to calculate the ratio of the number of law school seats available in Texas to the number of bachelor’s degrees awarded in the state. Texas had 30 law school seats available for every 1,000 bachelor’s degrees awarded. If the number of law school seats does not increase proportionally with the growing number of baccalaureate degrees, then admission to law school will grow increasingly competitive. Another way to measure opportunity is by examining regional access. Students in the Upper Rio Grande, West, and South Texas regions must travel much farther to get to a law school, as St. Mary’s University School of Law in San Antonio is the only law school in Texas that is west of Austin and south of Lubbock. This southwest third of Texas is also the area with the greatest probable student need, as measured by the number of students entering law school in 2007 who (according to self-reported data) are from counties in this area.

Board staff also compared the average costs of law school at the state’s public and independent institutions. Staff found that tuition and fees are 12 percent higher at the least expensive independent Texas law school than at the most expensive Texas public law school. Tuition and fees per year range from $11,528 (Texas Southern University) to $20,632 (University at Texas at Austin) at public law schools, and $23,250 (Texas Wesleyan University) to $34,576 (Southern Methodist University) at independent schools.

Should the state choose to expand the capacity and opportunity to attend law school, Board staff conservatively estimate that start-up costs for a new law school, excluding facility costs, would be $41,134,215 over five years. Start-up costs assume that the school would begin with a Dean, two Associate Deans, and 7 full-time faculty members as early as Fall 2009 for planning purposes, and it would enroll its first class of 75 students in Fall 2010 with 14 full-time faculty and
staff. By 2014, projected enrollment would be 250 students, and 22 faculty members would be employed. Based on this timeline, the law school would be eligible for formula funding for instruction and operations beginning in fiscal year 2012 but continue to receive special item funding from fiscal years 2009 through 2014. Start-up costs of the new school for the 2010-11 biennium (including startup costs for 2009) are estimated to be $14.2 million. The construction or renovation costs of a 124,115 square foot law school building is estimated to be $30 million in tuition revenue bonds. Debt service would add $2,751,787 per year, based on an assumed bond rate of 6 percent per year for 20 years. This would increase the estimated cost by $13,758,935, bringing the total cost to $54,893,150. Increasing enrollment at existing schools by 250 students—the same projected number of students at the new law school—would cost $1,257,250.

Conclusion

The Coordinating Board strongly recommends that the issue of a new law school be weighed against the prioritized higher education needs identified in its Legislative Appropriations Request such as increasing various sources of student financial aid. Higher education data in the Dallas area suggest that the aggressive development of the University of North Texas general campus in south Dallas, with its emphasis on undergraduate education in a community with one of the lowest educational attainment rates in the state, should be the highest priority. The data gathered by the Coordinating Board staff on the proposed law school in Dallas suggest that there is currently no urgent need for a new law school in the state. In a period of declining State resources, the establishment of a new law school is not the highest priority. The current projections from the Texas Workforce Commission indicate that the state’s independent and public law schools, as well as the lawyers who come from out of state to practice, are more than meeting the state’s need for new attorneys now and into the foreseeable future. Regardless of where a new school would be located, the Dallas area is likely to be one of the primary beneficiaries, as 96 percent of Texas lawyers practice in a metropolitan county, and there is no evidence that the site of a law school influences graduates to remain in that area.

Finally, it would be highly unusual to have a law school attached to a new, undergraduate-oriented teaching institution with small enrollments such as the University of North Texas at Dallas will be for at least its first ten years. A stand-alone law school as part of the University of North Texas System would need two accreditations: one from Southern Association of Colleges and Schools (SACS) and one from the American Bar Association (ABA). Its five-year accreditation process would come to an end just as the school would transfer to University of North Texas at Dallas, which may itself still be undergoing its own initial accreditation, potentially triggering new accreditation reviews from both SACS and the ABA. Waiting to open the law school until the University of North Texas at Dallas has been fully accredited and independently operating for at least five years would make the administration and accreditation of the law school more efficient and less expensive.
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 956 or other proposed legislation.

Sincerely,

[Signature]

Raymund A. Paredes

c: Coordinating Board Members
   David Gardner

AAR/am/cr