

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 5, 2003

TO: Honorable Geanie Morrison, Chair, House Committee on Higher Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2977 by Chavez (Relating to a program to provide incentives for certain persons to earn doctorate degrees and enter the faculty and administration of institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2977, As Introduced: a negative impact of (\$8,413,338) through the biennium ending August 31, 2005.

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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$3,186,892)
2005	(\$5,226,446)
2006	(\$7,710,633)
2007	(\$10,140,633)
2008	(\$10,140,633)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2003
2004	(\$3,186,892)	1.0
2005	(\$5,226,446)	1.0
2006	(\$7,710,633)	2.0
2007	(\$10,140,633)	2.0
2008	(\$10,140,633)	2.0

Fiscal Analysis

The bill would establish a doctoral loan program for Texas residents who are from groups under-represented among the faculty and administration of Texas higher education institutions. The maximum loan amount would be \$20,000 annually for up to four years. Upon completion of the doctorate, the loan would be forgiven at a rate of twenty percent each year for each consecutive year of service in which the borrower is employed as either faculty or administrator at a higher education institution in this state.

The loan program would be administered by the Higher Education Coordinating Board.

The bill would allow the legislature to appropriate funds to a trust fund outside the state treasury to be

administered by the Coordinating Board.

Methodology

The Higher Education Coordinating Board estimates that 135 new students would participate in the loan program each year, which is approximately 40 percent of the total number of minority doctoral students (this is the amount expected to go on to serve as faculty or administrators and therefore would be interested in the loan program). It is assumed that each student would borrow the maximum loan amount of \$20,000 annually for four years. Retention rates are estimated at 90 percent for the first year and 100 percent thereafter. The number of students served would be 135 in fiscal year (FY) 2004, 257 students in FY 2005, 378 students in FY 2006, and 500 students in fiscal year 2007 and each year thereafter. Loan principal costs would be \$2.7 million in FY 2004, \$5.1 million in FY 2005, \$7.6 million in FY 2006, and \$10 million in FY 2007 and beyond.

It is assumed that 500 students would be the maximum number participating in the loan program annually based on 135 new students each year, a 90 percent retention rate in the first year, and a maximum loan period of four years.

The Coordinating Board estimates programming costs for a new loan management system of \$420,000 in the first year and \$63,000 annually thereafter. The Coordinating Board indicates a need for an additional 1.0 full-time equivalent (FTE) in FY 2004 for computer support, reduced to 0.5 FTE each year thereafter, and 1.0 FTE for loan processing and program support beginning in FY 2006. Salaries and benefits costs indicated by the Coordinating Board are \$51,000 in FY 2004, \$25,500 in FY 2005, and \$66,825 in FY 2006 and beyond.

This analysis does not include assumptions related to revenue generated from loan repayments.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board

LBB Staff:

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