LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 28, 2003

TO: Honorable Florence Shapiro, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB4** by Zaffirini (Relating to the establishment and operation of the Texas school fund student loan program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB4, As Introduced: a negative impact of ($82,114,923) 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	($27,460,577)
2005	($54,654,346)
2006	($78,742,765)
2007	($102,369,791)
2008	($144,603,241)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *GENERAL REVENUE FUND* 1
2004	($27,460,577)
2005	($54,654,346)
2006	($78,742,765)
2007	($102,369,791)
2008	($144,603,241)

Fiscal Analysis

The bill would establish the Texas School Fund Loan Program, which would provide zero interest loans for eligible students at institutions of higher education. The Higher Education Coordinating Board would administer the program, determine the repayment and other terms of a Texas School Fund loan, and adopt rules to implement the program.

In order to be eligible for a Texas School Fund Loan a student must be a Texas resident, graduate high school graduate not earlier than the 2002-03 academic year with a minimum 3.0 grade point average on a four-point scale or have received an associate degree not earlier than May 1, 2005, with at least a 3.0 grade point average. Also, the student must be enrolled for at least three-fourths (3/4) of a full undergraduate course load and be eligible for federal financial aid (although not required to meet any financial need requirement). A student must maintain a minimum 3.0 grade point average and be enrolled at least three-fourths time in order to maintain loan eligibility.

The amount of a Texas School Fund Loan is the amount equal to the average amount of tuition and required fees charged to a full-time resident student at a public or private institution, as determined by the Coordinating Board. Students would need to maintain a “B” average in college in order to continue to be eligible for the loan.

The amount of a student’s loan would be forgiven if the student is awarded an undergraduate certificate or degree with a cumulative grade point average of at least 3.0 on a four-point scale. To be eligible for loan forgiveness the student must graduate within two years after initially enrolling in a public junior college or technical institute, within four years after the date the student enrolled in a four-year institution, or within five years if the degree is in engineering or architecture.

The bill would create the new General Revenue-dedicated Texas School Fund Loan Account in the General Revenue fund. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993, and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

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Methodology

Based on the assumption that fifty percent of students with expected family contributions above $8,500 and not served by TEXAS grants would apply for Texas School Fund Loans, it is estimated that 5,949 students would be served in fiscal year 2004 and 11,332 would be served in fiscal year 2005. It is estimated that participation in the loan program would increase by five percent annually from 50 percent in fiscal year 2004. The average annual cost of tuition and required fees is $977 at community colleges, $3,152 at public universities, and $11,707 at four-year private institutions. The annual loan principal would be $26.4 million in fiscal year 2004 and $53.8 million in fiscal year 2005, and would reach approximately $144 million by fiscal year 2008.

Estimates of the number of students that would meet the academic provisions of the loan program were made based on the number of high school students expected to complete the recommended or distinguished curriculum, have a GPA of B or higher, would enroll in college immediately after high school, and would maintain a B average or higher in college. For the second year of the biennium, retention rates for sophomores at community colleges, public universities, and four-year private institutions were applied. The analysis includes retention rates for college juniors in the third year and retention rates for college seniors in the fourth year and beyond to arrive at the cost estimate.

The Higher Education Coordinating Board indicates a need for 9.2 Full-Time Equivalents for computer support and loan processing related to this program. Administrative costs for the Coordinating Board are estimated at $337,000 for fiscal year (FY) 2004, $469,000 for FY 2005 and FY 2006, and $531,000 for fiscal year 2007 and beyond. These costs include recurring salaries, benefits, and operating expenses, and approximately $530,000 in the first year for one-time technological costs.

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

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Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 781 Higher Education Coordinating Board

LBB Staff: JK, JO, CT, PF, MG