LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 31, 2003

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB286** by Shapleigh (Relating to the continuation and functions of the Texas Higher Education Coordinating Board.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for SB286, Conference Committee Report: a positive impact of $3,313,500 through the biennium ending August 31, 2005.

The bill extends the Sunset provision of the Texas Higher Education Coordinating Board (THECB), reduces the number of board members from 18 to 9, and makes the following changes:

(1) Requires the Board to articulate implementation strategies for the higher education plan and to report to the Legislature on statutory and institutional funding changes that best support the plan;

(2) Replaces the Joint Advisory Committee with the P-16 Council;

(3) Streamlines the Hinson-Hazelwood loan program, requiring distribution of funds through the Texas Guaranteed Student Loan Corporation;

(4) Changes eligibility requirements for special-purpose financial aid programs to require current service;

(5) Restructures the Teach for Texas Conditional Grant program to a loan repayment program;

(6) Requires the use of the Common Course numbering system;

(7) Requires the agency to collect and publish general academic institutions' performance data on the internet;

(8) Establishes the Doctoral Incentive Loan Repayment program to encourage employment of individuals from underrepresented groups among the faculty and administration of higher education institutions;

(9) Eliminates the Texas Assessment of Skills Program (TASP) and designates the use of the Texas Assessment of Knowledge and Skills (TAKS) exit level test as the primary instrument for assessing the college readiness of incoming undergraduate students;

(10) Requires THECB to establish a pilot program to examine the feasibility of allowing selected community colleges to offer bachelor of applied science degrees; and,

(11) Authorizes THECB to sell or contract for the sale of promotional items to promote the public awareness campaign and to use those funds to further the campaign.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$1,274,000
2005	$2,039,500
2006	$1,056,258
2007	$840,908
2008	$545,508

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from *GENERAL REVENUE FUND* 1	Probable (Cost) from *GENERAL REVENUE FUND* 1	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1
2004	$1,274,000	($200,000)	$200,000
2005	$2,524,000	($684,500)	$200,000
2006	$1,524,000	($667,742)	$200,000
2007	$1,324,000	($683,092)	$200,000
2008	$1,024,000	($678,492)	$200,000

Fiscal Analysis

The bill would generate savings from restructuring the Teach for Texas program, reduction in travel, and from the conversion of the Hinson-Hazlewood loan program. The bill would create costs in implementation of the Teach for Texas change, the Hinson-Hazlewood change, and creating a system to fulfill the internet performance reporting requirements.

Methodology

Savings generated by implementation of the provisions of the bill are as follows:

(1) Reducing the number of board members from 18 to 9 would save travel costs. As the number of board members are reduced over 6 years, the savings would be $2,400 a year in fiscal year 2004-05, $4,000 a year in fiscal year 2006-07, and $7,200 in fiscal year 2008.

(2) Replacing the Joint Advisory Committee with the P-16 Council would save $1,600 in travel costs annually because the members of the P-16 Council, unlike the Joint Advisory Council, are in Austin and would not incur travel costs.

(3)Requiring allocation of loan disbursements through the Texas Guaranteed Student Loan Corp would generate a savings of $15,200 annually because paper checks would not be issued and mailed using overnight services.

(4) Restructuring the Teach for Texas Conditional Grant program would generate initial savings as grants were discontinued and students have not yet met the service requirements for loan repayment. In the first year of implementation, no new grants would be awarded - only previous recipients would receive a re-award, generating a savings of approximately one half of the $2.5 million allocated to the program. Loan repayments would not be made in the first or second years because no student (who had not received a grant) would meet the one-year service requirement. Loan repayments would

begin in the third year of implementation and increase each year as the number of loan repayment recipients surpasses the number of students who previously received grants (due to loans being repaid over 5 years).

The sale or contract for the sale of promotional items to promote the public awareness campaign is expected to generate $200,000 each year.

Costs of implementation of the bill:

(1) Restructuring the Teach for Texas program would require additional administrative costs of approximately $138,000 in the first two years due to conversion costs.

(2) Allocating Hinson-Hazlewood loan disbursements through the Texas Guaranteed Student Loan Corp (TGSLC) ould incur costs for using the TGSLC system of approximately $55,000 ($2 each x 27,500 disbursements).

(3.) Collecting and publishing performance data on the internet would incur initial set-up costs of $7,000, with maintenance costs of approximately $1,500 each year thereafter.

(4) The Doctoral Incentive Loan Repayment Program is estimated to cost $490,000 each year, beginning in fiscal year 2005 in general revenue that would no longer be offset by tuition.

(5) The community college pilot bachelor of applied science program would have costs associated with one additional staff at the THECB. The cost of this staff would be paid with Federal Perkins money in the first two years during development of the programs, then would shift to general revenue as the function shifts to monitoring and evaluating the programs. Beginning in fiscal year 2006, the pilot programs would have costs associated with increases in enrollment, estimated to be $121,242 in fiscal year 2006, $136,592 in fiscal year 2007, and $131,992 in fiscal year 2008.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 781 Higher Education Coordinating Board, 304 Comptroller of Public Accounts

LBB Staff: JK, JO, GO, PF, DSB, CT