

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 5, 2003

TO: Honorable Royce West, Chair, Senate Committee on Subcommittee on Higher Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1200 by Lucio (Relating to the creation of the TexasNextStep grant program to pay tuition and required fees and textbook costs of certain students enrolled in two-year public institutions of higher education in this state.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1200, As Introduced: a negative impact of (\$72,810,030) 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.

The bill would create the TexasNextStep (TNS) grant program that would pay for the tuition, required fees and books, beginning in fiscal year 2005, for students pursuing a certificate, associate degree, or a baccalaureate degree at a Texas public community, technical, or two-year state college for up to three consecutive years.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|--------------------|---|
| 2004 | (\$361,136) |
| 2005 | (\$72,448,894) |
| 2006 | (\$84,658,494) |
| 2007 | (\$86,961,994) |
| 2008 | (\$89,336,894) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from GENERAL REVENUE FUND 1 |
|--------------------|--|
| 2004 | (\$361,136) |
| 2005 | (\$72,448,894) |
| 2006 | (\$84,658,494) |
| 2007 | (\$86,961,994) |
| 2008 | (\$89,336,894) |

| Fiscal Year | Change in Number of State Employees from FY 2003 |
|-------------|--|
| 2004 | 2.0 |
| 2005 | 3.0 |
| 2006 | 3.0 |
| 2007 | 3.0 |
| 2008 | 3.0 |

Fiscal Analysis

The fiscal impact for fiscal year 2004 is estimated to be \$361,136 because no grants would be awarded until 2005. For subsequent years, the grant awards plus associated administrative costs are estimated to be:

Fiscal Year 2005: \$72,448,894

Fiscal Year 2006: \$84,658,494

Fiscal Year 2007: \$86,961,994

Fiscal Year 2008: \$89,336,894

Methodology

Note: This fiscal note is based on cost information provided by the Texas Higher Education Coordinating Board, which is annually less than that estimated by the Comptroller's Office.

The estimated awards are based on the following assumptions:

1. The average annual award for a student is estimated to be \$1,700 (based on average tuition and fees at community, technical and state colleges).
2. The number of students who will graduate from any high school (including home school) in FY 2003 is projected to be 261,884. The number of graduates from high schools is estimated to increase by 2.7 percent in fiscal year 2004, 2.71 percent in fiscal year 2005, 2.72 percent in fiscal year 2006, and 2.73 percent in fiscal years 2007 and 2008.
3. The number of students estimated to enroll in a community college immediately after high school is estimated to be 23.5 percent. The calculation for fiscal year 2004 is as follows: $261,884 \times .2351 = 61,569$.
4. The number of students who would qualify for a TNS was estimated to be 38.91 percent (the percentage of students with incomes high enough to qualify) of the total entering students enrolled in public two-year institutions, or $61,569 \times .3891 = 23,956$.
5. The retention rate for students is estimated to be 70 percent after the first year and 35 percent after the second year.

For fiscal year 2005, the number of eligible students is 42,498 and the grant amount equals $42,498 \times \$1,700 = \$72,246,600$. Administrative costs will be \$202,294, for a total of \$72,448,894.

For fiscal year 2006, the number of eligible students is 49,686 and the grant amount equals $49,686 \times \$1,700 = \$84,466,200$. Administrative costs will be \$192,294, for a total of \$84,658,494.

For fiscal year 2007, the number of eligible students is 51,041 and the grant amount equals $51,041 \times \$1,700 = \$86,769,700$. Administrative costs will be \$192,294, for a total of \$86,961,994.

For fiscal year 2008, the number of eligible students is 52,438 and the grant amount equals 52,438 X \$1,700 = \$89,144,600. Administrative costs will be \$192,294, for a total of \$89,336,894.

Technology

According to the Coordinating Board (THECB) a new computer system would need to be developed for this program at a cost of \$200,000 in fiscal year 2004. THECB would also require three additional full-time equivalent employees, two of which would begin in fiscal year 2004, and the third in fiscal year 2005. These costs are included in the estimates above.

Local Government Impact

The fiscal implication to units of local government would be dependent on the extent to which the availability of TNS grants impact enrollment at community colleges. Increased enrollment would generate increased revenues.

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

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