

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**April 27, 2005**

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

**FROM:** John S. O'Brien, Deputy Director, Legislative Budget Board

**IN RE: HB530** by Howard (Relating to prohibiting discrimination based on a student's primary or secondary school in awarding state scholarships or other financial aid for higher education ),  
**Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB530, Committee Report 1st House, Substituted: a negative impact of (\$148,313,641) through the biennium ending August 31, 2007.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2006	\$0
2007	(\$148,313,641)
2008	(\$182,081,486)
2009	(\$214,027,405)
2010	(\$241,093,055)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from GENERAL REVENUE FUND 1</b>
2006	\$0
2007	(\$148,313,641)
2008	(\$182,081,486)
2009	(\$214,027,405)
2010	(\$241,093,055)

**Fiscal Analysis**

The bill would prohibit an institution of higher education or state agency, that awards financial aid of any kind to students to attend public or private institutions of higher education, from discriminating against a student based on the type of primary or secondary school the student attended.

The bill would apply beginning with student financial aid awarded for the 2006-2007 academic year.

**Methodology**

The bill would increase the number of students eligible for the TEXAS Grants, B-on-Time and the Early High School Graduation Program. To calculate the number of students eligible for TEXAS

Grants, the Higher Education Coordinating Board used the following assumptions:

1) Five percent of the students receiving need-based financial aid in Texas are from unaccredited or home school programs. One half of them will receive TEXAS Grants. According to the Texas Higher Education Coordinating Board (THECB), 523,664 individuals received aid in 2004. THECB expects this number to grow by 13,092 students due to the provisions of the bill. The number of students receiving need-based aid has increased an average of 8.37 percent per year for the past 4 years. It is assumed this rate of growth will continue through 2010.

2) The average award for TEXAS Grants in 2004 was \$2,450. The average award for B-on-Time was \$3,590.

3) The retention rate for students who did not graduate from accredited high schools with the recommended curriculum, from unaccredited private high schools or through home school programs is estimated to be 10 percent less than the rate for current recipients. Thus, the sophomore rate is 52.5%; the junior rate is 48.8%; the senior rate is 79% and the second year senior rate is 56.8%

Based on these assumptions THECB estimates the additional general revenue costs of making TEXAS Grants available to more students at \$56.4 million in 2007, \$70.1 million in 2008, \$83.0 million in 2009 and \$94.0 million in 2010. Since the changes provided for in the bill begin with student financial aid awarded for the 2006-2007 academic year, the costs associated with the bill would begin in fiscal year 2007.

Based on these assumptions THECB estimates the additional general revenue costs of making B-on-Time available to more students at \$82.6 million in 2007, \$102.7 million in 2008, \$121.7 million in 2009 and \$137.8 million in 2010.

To calculate the number of students eligible for the Early High School Graduation program, THECB used the following assumptions:

1) The Early High School (EHS) program is not a need-based program. THECB assumed 2.5% of all students enrolled in higher education graduated from accredited high schools without the recommended curriculum or from unaccredited private high schools or through home school programs at 28,701.

2) Ten percent of the 28,701 students (2,870) will graduate within 36 months and be eligible for the Early High School \$2000 awards.

3) Fifteen percent of the 28,701 students (4,305) will graduate within 41 months and be eligible for the Early High School \$500 awards.

4) Five percent of the 28,701 students (1,435) will graduate with at least 30 college hours and qualify for the \$1000 bonus.

Based on these assumptions, the THECB estimates the additional general revenue costs of making the Early High School Program available to more students at \$9.3 million per year.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 781 Higher Education Coordinating Board, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 783 University of Houston System Administration

**LBB Staff:** JOB, CT, RT, GO