

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 15, 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 in awarding state scholarships or other financial aid for higher education based on a person's high school attendance or achievement.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB530, As Introduced: a negative impact of (\$334,237,161) 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	(\$334,237,161)
2008	(\$415,226,755)
2009	(\$493,187,037)
2010	(\$560,800,706)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2006	\$0
2007	(\$334,237,161)
2008	(\$415,226,755)
2009	(\$493,187,037)
2010	(\$560,800,706)

Fiscal Analysis

The bill would prohibit an institution of higher education or a state agency from requiring a person to have attended a public high school or an accredited private high school in order to be eligible for any form of financial aid the institution or agency awards. The bill also provides that if there is a requirement for a person to graduate from high school in order to be eligible for financial aid, then a person who presents evidence of person graduating from an unaccredited private high school, or successfully completing a secondary school program in a home school setting, must be treated the same as a person who graduated from a public high school.

The bill also prohibits an institution of higher education or a state agency from awarding a scholarship or other financial aid based on a person's high school GPA, or other measure of a person's academic

performance before attending an institution of higher education. The only exceptions to the prohibition are a person's scores on the Scholastic Assessment Test (SAT) or the American College Test (ACT), or a separately scored portion of one of those tests. Also, if an institution of higher education or a state agency awards scholarships or other financial aid based on SAT or ACT scores, they may not limit eligibility or consideration only to test scores for one of those two tests. The institution must accept a person's score on either of those tests, or on comparable portions of either of the tests.

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) The number of graduates from accredited high schools who will be eligible for the program will increase by approximately 57 percent. Currently 63.72% of such students are eligible via graduation through the recommended curriculum. The numbers of students entering the TEXAS Grant program would increase by 23,653 in fiscal year 2006 and 25,370 in fiscal year 2007. The numbers of additional students from accredited high schools is estimated to be 23,653 in 2006 and 25,727 in 2007, increasing by 9.86% per year thereafter.
- 2) 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.
- 3) The average award for TEXAS Grants in 2004 was \$2,450.
- 4) The retention rate for students who did not graduate from accredited high schools with the recommended curriculum, who graduated from unaccredited private high schools or from home school programs is estimated 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 \$149.8 million in 2007, \$187.3 million in 2008, \$223.3 million in 2009 and \$254.7 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.

To calculate the number of students eligible for the B-on-Time program, THECB used the following assumptions:

- 1) The number of graduates from accredited high schools who will be eligible for the program will increase by approximately 57 percent. Currently 63.72% of such students are eligible via graduation through the recommended curriculum. Previous predictions of the numbers of students entering the B-on-Time program in 2006 and 2007 were 28,042 and 30,517 respectively. THECB expects this number to grow by 15,967 in fiscal year 2006 and 17,376 in 2007 due to the provisions of the bill. THECB estimates a growth rate of 9.86 percent per year thereafter.
- 2) Five percent of the financially needy students receiving financial aid in Texas are from unaccredited or home school programs. One half of them will receive B-on-Time loans. 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 3 years. It is assumed this rate of growth will continue through 2010.
- 3) The average award for B-on-Time in 2004 was \$3,590.

4) 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 B-on-Time available to more students at \$175.1 million in 2007, \$218.6 million in 2008, \$260.5 million in 2009 and \$296.8 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: 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, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

LBB Staff: JOB, CT, RT, GO