

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

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

**April 1, 2005**

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

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

**IN RE: HB2041** by Campbell (Relating to a Pilot Project to provide additional capacity for higher education undergraduate education.), **As Introduced**

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for HB2041, As Introduced: a negative impact of (\$11,848,463) through the biennium ending August 31, 2007.
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**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2006	(\$4,388,320)
2007	(\$7,460,143)
2008	(\$5,068,509)
2009	(\$3,773,735)
2010	(\$2,963,231)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from GENERAL REVENUE FUND 1</b>
2006	(\$4,388,320)
2007	(\$7,460,143)
2008	(\$5,068,509)
2009	(\$3,773,735)
2010	(\$2,963,231)

**Fiscal Analysis**

The bill establishes a pilot program to provide additional capacity for higher education undergraduate education. Under the provisions of the bill, the Higher Education Coordinating Board will award initial awards not more than 1,000 students at Angelo State University and 600 students at Sul Ross State University for the 2005-06 and 2006-07 academic years and shall award continuation grants to pilot project students in future years. The student would be required to meet the eligibility requirements for TEXAS Grants. Funding for the awards to the pilot project students will be provided through TEXAS Grants and B-on-Time funding.

**Methodology**

The Higher Education Coordinating Board estimates the average TEXAS Grant award for Angelo State in 2004 to be \$2,738 and the average award at Sul Ross State in 2004 at \$2,751. Historically, universities in the TEXAS Grant program have seen the following retention rates in award recipients:

freshman to sophomore year -70% continue; sophomore to junior year - 65% continue; junior to first senior year - 89% continue; first senior year to second senior year - 66.75% continue.

To determine the number of grant recipients per year in the pilot program, the Coordinating Board started with the maximum allowed in the bill, 1,000 students at Angelo State and 600 students at Sul Ross State for fiscal year 2006. Adjustments were made for new students entering the program in fiscal year 2006 and fiscal year 2007 since the bill covered both the 2005-06 and 2006-07 academic year. The Coordinating Board multiplied the number of students each year by the retention rate to calculate the number of continuing students. Based on these calculations the Coordinating Board estimates the total awards for 2007 would be 1,700 for Angelo State and 1,020 for Sul Ross. In Fiscal year 2008, the number awards would be 1,155 at Angelo State and 693 at Sul Ross. The number of grants would steadily decrease as students left the program and no new students were added.

To calculate the cost to the state the number of students was multiplied by the average grant awards per institution. Based on these calculations, it estimated that the cost to the state to fund the additional TEXAS Grants will be \$4,388,320 in fiscal year 2006, \$7,460,143 in fiscal year 2007, \$5,068,509 in fiscal year 2008, \$3,773,735 in fiscal year 2009 and \$2,963,231 in fiscal year 2010.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 781 Higher Education Coordinating Board, 758 Board of Regents, Texas State University System Central Office

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