

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

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

**April 3, 2005**

**TO:** Honorable Royce West, Chair, Senate Committee on S/C on Higher Education

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

**IN RE: SB722** 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 SB722, As Introduced: a negative impact of (\$134,138,133) through the biennium ending August 31, 2007.

**General Revenue-Related Funds, Five-Year Impact:**

| Fiscal Year | Probable Net Positive/(Negative)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2006        | (\$453,188)  |
| 2007        | (\$133,684,945)  |
| 2008        | (\$156,201,407)  |
| 2009        | (\$160,411,288)  |
| 2010        | (\$164,734,935)  |

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

| Fiscal Year | Probable Savings/(Cost) from<br><i>GENERAL REVENUE FUND</i><br>1 | Change in Number of State Employees<br>from FY 2005 |
|-------------|--|---|
| 2006        | (\$453,188)  | 3.0   |
| 2007        | (\$133,684,945)  | 4.0   |
| 2008        | (\$156,201,407)  | 4.0   |
| 2009        | (\$160,411,288)  | 4.0   |
| 2010        | (\$164,734,935)  | 4.0   |

**Fiscal Analysis**

The bill would establish the TexasNextStep (TNS) grant program by amending Chapter 56 of the Education Code. The fiscal impact to the Higher Education Coordinating Board is estimated at \$453,188 for program set-up in fiscal year 2006, \$284,660 in fiscal year 2007 and \$274,660 annually for program maintenance in fiscal years 2008-2010. The total five-year cost to the Higher Education Coordinating Board for fiscal years 2006-2010 is estimated at \$1,561,828.

The fiscal implications for the TexasNextStep grant program is estimated at \$453,188 for fiscal year 2006, \$133,684,945 in fiscal year 2007, \$156,201,407 in fiscal year 2008, \$160,411,288 in fiscal year 2009, and \$164,734,935 in fiscal year 2010. The total five-year cost to the state is estimated at \$615,485,764.

**Methodology**

The Higher Education Coordinating Board used the following assumptions to estimate the fiscal impact of the bill:

1. The average annual award for a student is estimated to be \$2,110, which includes average tuition and fees of \$1,270 plus \$30 per SCH for textbooks.
2. The number of students who graduated from any Texas high school (including estimates for home school and private schools) in fiscal year 2003 was 251,702. For purposes of this fiscal note, this number of high school graduates is estimated to increase by 2.7 percent each year.
3. The number of students estimated to enroll in a community college immediately after high school is estimated to be 24.02 percent of the graduating cohort. For fiscal year 2006 it is estimated that 272,645 students will graduate from high school and 65,489 of them will enroll in a community college.
4. The number of students who would qualify for a TNS was estimated to be 55.9 percent (the percentage of students who did not qualify for need-based financial aid because their income and earnings were too high) of the total entering students enrolled in public two-year institutions, or 36,609.
5. The retention rate for students is estimated to be 70 percent after the first year and 35 percent after the second year.

Because this program does not start granting awards until fiscal year 2007, the only cost for fiscal year 2006 is \$453,188 for setting up the program, \$200,000 of which is the initial cost of developing programming.

For fiscal year 2007 the number of eligible students is 63,223 (including students who were eligible, but did not receive a grant the first year) Assuming an average grant amount of \$2,110, the total amount of grants awarded would be \$133,400,285. Administrative costs would be \$284,660, for a total cost of \$133,684,945. In fiscal year 2008 the number of eligible students would increase to 73,899 and the amount of grants awarded would increase to \$155,926,747. Administrative costs would add another \$274,660, for a total of \$156,201,407. In fiscal year 2009 the number of eligible students would increase to 73,899 and the amount of grants awarded would increase to \$160,136,628. Administrative costs would add another \$274,660, for a total of \$160,411,288. In fiscal year 2010 the number of eligible students would increase to 77,943 and the amount of grants awarded would increase to \$164,460,276. Administrative costs would add another \$274,660, for a total of \$164,734,935.

## **Technology**

The Higher Education Coordinating Board would need to develop a new computer system in fiscal year 2006 to implement the requirements of the bill. The technology costs of \$200,000 includes the cost of the new system and related programming. An additional cost of \$10,000 annually for system maintenance is included for fiscal years 2007-2010. These amounts are included in the fiscal impact summaries above.

## **Local Government Impact**

No significant fiscal implication to local two-year institutions is anticipated because the language of the bill states that the grant awarded may not exceed GR appropriated for the program; as such, there should not be a material fiscal impact to the two-year institutions.

**Source Agencies:** 720 The University of Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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