

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

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 27, 2007**

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

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

**IN RE: HB1249** by Villarreal (Relating to the eligibility of certain transfer students for a TEXAS grant.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1249, As Introduced: a negative impact of (\$8,836,690) through the biennium ending August 31, 2009.

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)<br/>Impact to General Revenue Related<br/>Funds</b> |
|--------------------|---|
| 2008               | (\$2,961,553)   |
| 2009               | (\$5,875,137)   |
| 2010               | (\$8,108,333)   |
| 2011               | (\$8,513,058)   |
| 2012               | (\$8,938,884)   |

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

| <b>Fiscal Year</b> | <b>Probable Savings/(Cost) from<br/>GENERAL REVENUE FUND<br/>1</b> |
|--------------------|--|
| 2008               | (\$2,961,553)  |
| 2009               | (\$5,875,137)  |
| 2010               | (\$8,108,333)  |
| 2011               | (\$8,513,058)  |
| 2012               | (\$8,938,884)  |

**Fiscal Analysis**

The bill relates to the eligibility of certain transfer students to receive a TEXAS grant. Under provisions of the bill, a person who meets the continuing eligibility requirements of TEXAS grants but who has not previously received a TEXAS grant may receive a TEXAS Grant as if the person had previously qualified for and received an initial TEXAS grant if the person qualified for a Texas Educational Opportunity Grant in the last semester or term the person attended an eligible institution and received an associate degree from an institution of higher education not earlier than May 1, 2001 or completed the core curriculum at an institution of higher education. The changes under the bill would begin with grants awarded for the 2007-08 academic year.

## **Methodology**

The Higher Education Coordinating Board indicates the bill opens up the pool of TEXAS Grant renewal students. The bill treats needy students who graduate with an Associates Degree or take the core curriculum and transfer to a four year institution as renewal TEXAS Grant recipients. Because it has been the policy of the State to fully fund renewal students, adding these students to that population would result in additional General Revenue needed to fund the TEXAS Grant Program based on the following methodology.

Using the financial aid database for academic year 2005-06, the Higher Education Coordinating Board estimates that 2,787 needy students completed either the core curriculum or an Associate's Degree and enrolled in a public four year institution the following fall or spring semester. The Coordinating Board estimates that 25% of these students will meet the qualifications for a renewal TEXAS grant student. These students will receive the estimated average grant for a four year institution of \$4,249 for fiscal year 2008, \$4,461 for fiscal year 2009, \$4,684 for fiscal year 2010, \$4,918 for fiscal year 2011 and \$5,164 for fiscal year 2012 (a 5% increase each year). Assuming the number of students who are eligible for TX Grant will remain steady and a retention rate of 89% after the third year and 66.75% after the fourth year (current TEXAS Grant retention rates), the cost to fund the students in fiscal year 2008 is \$2.9 million based on the number of estimated students which is  $697 (2,787 * .25) \times \$4,249$  (the average grant award in fiscal year 2008). For fiscal year 2009, the cost would be \$5.9 million based on new and renewal students  $(697 + (89\% * 697) \times \$4,461$  (the average award for fiscal year 2009). The costs would increase in fiscal year 2010 through 2012 as renewal awards and the average grant amounts increased.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

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