

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 3, 2007

TO: Honorable Judith Zaffirini, Chair, Senate Committee on S/C on Higher Education

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

IN RE: SB1496 by Zaffirini (Relating to the partial forgiveness of Texas B-On-time loans for certain graduates of four-year public and private institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1496, As Introduced: a negative impact of (\$2,339,144) 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$438,247)
2009	(\$1,900,897)
2010	(\$2,963,084)
2011	(\$2,860,000)
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2008	(\$438,247)
2009	(\$1,900,897)
2010	(\$2,963,084)
2011	(\$2,860,000)
2012	\$0

Fiscal Analysis

Under provisions of the bill, a student who receives a Texas B-On-time (BOT) loan and does not qualify for loan forgiveness under Section 56.462(a) of the Education Code shall be forgiven 50 percent of the amount of the student's loan if the student is awarded an undergraduate degree at an eligible four-year institution or eligible institution that offers only junior-level and senior-level undergraduate courses with a cumulative grade point average of at least 2.5 on a four-point scale or the equivalent within five calendar years after the date the student initially enrolled in the institution or another eligible institution.

Currently B-on-Time program loans have been funded by the refunding of Hinson-Hazelwood College Student Loan Program's bonds. The Coordinating Board indicates that the Loan Program's ability to fund BOT loans was based on cash flow projections that assumed only students meeting the original

qualifications for forgiveness would have their loans forgiven. The Higher Education Coordinating Board also indicates that the designated tuition set aside, which will be used to fund the program in the future, cannot be used to make up the difference.

Methodology

For purposes of this fiscal note, it is assumed the cost associated with having these loans forgiven will be funded through General Revenue. The Coordinating Board estimates are based on the 1996 freshmen cohort of 55,124 students of which 11,553 graduated in 5 years (21%) with a 2.5 or higher GPA. Assuming that 10% of those students would have been eligible under the provision allowing forgiveness for students who took not more than 6 hours over their degree requirements (current B-on-time requirements), the Coordinating Board assumes that 11% of these additional students and their loans would be eligible for forgiveness under this new legislation. Using this amount, the calculations are as follows $11,553/55124 = 21\% - 10\% = 11\%$.

Since the B-on-time program was initiated in fiscal year 2004, the Coordinating Board has used \$74,202,079 million from the Hinson Hazlewood Loan program to support the program. In fiscal year 2004, the Board issued \$3,984,066 in BOT loans that are scheduled to be forgiven in fiscal year 2008. Once students became aware of the program the loans increased to \$17,280,885 in fiscal year 2005 and \$26,937,128 in fiscal year 2006. In fiscal year 2007 the Coordinating Board issued \$26,000,000 in BOT Loans.

Using these amounts multiplied by 11 percent, the Coordinating Board calculates the cost associated with forgiven loans under this bill would be \$438,247 in fiscal year 2008, \$1,900,897 in fiscal year 2009 and \$2,963,084 in fiscal year 2010 and \$2,860,000 in fiscal year 2011.

After fiscal year 2011, there would be no fiscal impact because it is assumed the Coordinating Board would adjust the loan amounts or number of loans issued in 2008.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board

LBB Staff: JOB, MN, RT, GO