

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 20, 2009

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

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

IN RE: SB172 by Shapiro (Relating to financial incentives and other assistance to develop and maintain excellence in specific programs and fields of study at public institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB172, As Introduced: a negative impact of (\$850,032) through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$448,214)
2011	(\$401,818)
2012	(\$401,818)
2013	(\$401,818)
2014	(\$100,401,818)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2010	(\$448,214)
2011	(\$401,818)
2012	(\$401,818)
2013	(\$401,818)
2014	(\$100,401,818)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	4.0
2011	4.0
2012	4.0
2013	4.0
2014	4.0

Fiscal Analysis

The bill would establish an incentive funding program to encourage and assist institutions in developing and maintaining specific programs or fields of study of the highest national rank or recognition. An institution could designate only one program at a time for consideration. The Higher

Education Coordinating Board would have responsibility for defining benchmarks for each program and assigning a financial incentive for each benchmark. Each program would have a total of three benchmarks to meet unless the board determined that a different number was appropriate. Experts outside of the state of Texas would be hired to assist the board in establishing the benchmarks and funding levels for each type of program or field. The Texas Higher Education Coordinating Board would determine the amount of funds necessary to carry out the program. The Board would also be able to use funds for this incentive program to help institutions maintain the excellence of programs or fields of that have achieved the highest rank or recognition. Institutions would only be able to use the incentive funding for the approved program.

Methodology

Based on information provided by the Higher Education Coordinating Board, while the incentive program could be set up by fiscal year 2010, it would likely take until fiscal year 2014 until the institutions would meet the three benchmarks as designated in the bill. The fiscal note will be split out between administrative costs associated with the program and the funding for the incentive grants.

Administrative Costs

The Higher Education Coordinating Board has indicated they would need to hire four additional FTEs (Program Directors) to handle the additional responsibilities assigned to them, as well as costs associated with contract consultants. Salaries and benefits for the four FTEs are estimated at \$356,214 in fiscal year 2010, and \$309,818 in fiscal year 2011 and subsequent years. They estimate that 92 institutions/community college districts would submit a request for consideration, and consultants to develop individual program benchmarks are estimated to cost \$1,000 for each program, or \$92,000 annually. They indicated that while the amount required to contract for experts to determine benchmarks for excellence is able to be estimated at \$92,000 per year, it is important to note the process would need to be repeated periodically to maintain relevance due to changes in higher education across the nation. Rather than a one-time cost, this would be an on-going expenditure to create benchmarks for new proposals and to update existing benchmarks.

Incentive Grants

The Higher Education Coordinating Board has indicated that effective incentive grants are estimated to cost the state \$100,000,000 annually. They also indicate that it is highly unlikely that these incentives would be paid out until the fifth year, so the initial cost will be in fiscal year 2014, with no incentive grant cost for fiscal year 2010-2013. For comparison, in fiscal year 2009, the Higher Education Coordinating Board was appropriated \$100 million in incentive funding with 80% or \$80 million going to general academic teaching institutions based on degrees awarded with increased weights for critical fields and at-risk students, and 20% or \$20 million going to top ten percent scholarships.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board

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