

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

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 9, 2009**

**TO:** Honorable Dan Branch, Chair, House Committee on Higher Education

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

**IN RE: SB175** by Shapiro (Relating to the admission of undergraduate students to general academic teaching institutions, including limitations on automatic admission, and to scholarships for certain students.), **As Engrossed**

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for SB175, As Engrossed: a negative impact of (\$28,668,021) through the biennium ending August 31, 2011.
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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>
2010	(\$215,548)
2011	(\$28,452,473)
2012	(\$49,156,140)
2013	(\$64,817,118)
2014	(\$77,744,985)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>
2010	(\$215,548)
2011	(\$28,452,473)
2012	(\$49,156,140)
2013	(\$64,817,118)
2014	(\$77,744,985)

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2009</b>
2010	2.0
2011	2.0
2012	2.0
2013	2.0
2014	2.0

**Fiscal Analysis**

The bill would amend Texas Education Code Section 51.803, relating to the current automatic admission of high school students graduating in the top ten percent of their class. The bill would authorize a general academic institution to limit automatic admissions to 60 percent of its first-time

resident undergraduate student enrollment capacity in an academic year. If the number of applicants exceeded 60 percent of enrollment capacity the institution would be required to offer admission to applicants by ranking them according to their percentile ranking in their graduating class based on grade point average. Remaining applicants would be considered for admission based on the institution's admission requirements for other first-time undergraduates. Institutions would be required to provide information to each school district for dissemination to students of anticipated percentile rankings that will qualify for admission by April 15 of each year.

The bill would create a scholarship program for students who graduated in the top 10 percent of their class. Under provisions of the bill, an institution of higher education would provide to a student who receives a scholarship a credit in the amount of the scholarship, to be applied toward the payment of any amount of educational costs charged by the institution for that semester and a check, electronic transfer, or other disbursement of any remaining scholarship amount. A student must satisfy the following requirements to be initially eligible: (1) have graduated from a public or accredited private high school in this state while ranked in the top 10 percent of the student's graduating class, subject to other provisions of the legislation; (2) have completed the recommended or advanced high school curriculum or its equivalent; (3) have unmet financial need, as defined by coordinating board rule; (4) enroll as a first-time freshman student in an institution of higher education not earlier than the 2010-2011 academic year and not later than the 16th month after the date of the student's high school graduation; (5) be a Texas resident; and (6) comply with any other eligibility requirements established by coordinating board rule. The student would have to satisfy criteria, including satisfactory academic progress, to continue to receive the scholarship.

Under provisions of the bill, the amount of the scholarship could not exceed the student's tuition. The bill would also require the legislature to account in the General Appropriations Act for the exemptions in a way that provides a corresponding increase in the general revenue funds to the institution of higher education. The Coordinating Board could not award scholarships before the 2010-11 academic year (fiscal year 2011).

## **Methodology**

Since the scholarship program becomes effective in fiscal year 2011, the only cost in fiscal year 2010 is administrative costs associated with the legislation. The Higher Education Coordinating Board has indicated they would need to hire two FTEs in fiscal year 2010, a program specialist and an administrative assistant in preparation for the program. Personnel salary/benefits costs for fiscal year 2010 are estimated to be \$137,228 and \$114,861 in fiscal year 2011 and subsequent years. Other Coordinating Board costs will include: \$5,000 annually for printing, postage, shipping, and materials; \$3,000 annually for travel to train high school counselors and financial aid officers at institutions; and technology costs of \$70,320 in fiscal year 2010 and \$3,000 annually thereafter for maintenance.

Based on information provided by the Higher Education Coordinating Board, approximately 10,000 students would qualify for the new program. This number includes 9,408 students that would attend universities and 567 that would attend community colleges. The Higher Education Coordinating Board has projected that the tuition (statutory and designated) and fees at general academic institutions and community colleges for fiscal year 2011 to be \$4,893 and \$1,502 respectively. Based on these assumptions, the total amount of tuition that would be exempted is \$46.9 million for fiscal year 2011. Beginning in fiscal year 2012, the costs would increase as a new cohorts of students enter the program and renewal students are funded. The Higher Education Coordinating Board has projected that approximately 28% of the students would be eligible for a scholarship in their second year.

The Higher Education Coordinating Board has indicated the new program would result in additional students attending general academic and community colleges. Based on these increases there would be slight formula funding increases beginning in fiscal year 2011, estimated to be \$1.4 million for general academic institutions and \$82,000 for community colleges. These amounts have been included in the costs associated with the bill.

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. For purposes of this fiscal note, it is assumed this allocation would continue in the same amounts and same percentages thereby reducing the costs by \$20 million per year for the top ten percent scholarship program beginning in fiscal year 2011.

It should be noted that under the existing program the number of top ten percent scholarships would increase in the 2010-11 biennium as new cohorts of students become eligible for the program and renewal students receive funding. The estimated amount to cover these students is \$54 million for the biennium. It is unclear how renewal students under the previous program would be treated under the new program.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 781 Higher Education Coordinating Board

**LBB Staff:** JOB, KK, RT, GO, SK