

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 27, 2009

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

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

IN RE: SB2025 by Watson (Relating to the establishment of a prepaid tuition unit reward and incentive program for certain economically disadvantaged students who achieve commended performance levels on standardized assessments.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2025, As Engrossed: a negative impact of (\$32,111,100) 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	(\$16,055,550)
2011	(\$16,055,550)
2012	(\$16,055,550)
2013	(\$16,055,550)
2014	(\$16,055,550)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2010	(\$16,055,550)
2011	(\$16,055,550)
2012	(\$16,055,550)
2013	(\$16,055,550)
2014	(\$16,055,550)

Fiscal Analysis

This bill would create the Prepaid Tuition Unit Reward and Incentive Program.

The bill would direct the Prepaid Higher Education Tuition Board (Board) to develop and implement this program. The Board, based on a list provided by the Texas Education Agency (TEA) of seventh grade students classified as economically disadvantaged, would purchase for each listed student 10 Type III tuition units or the equivalent at the time the account is opened for the student. Subject to limitations specified in the bill, the Board would periodically purchase additional units to award continued academic achievement or high-level performance on statewide assessment instruments. The Board could not purchase more than 100 Type III tuition units for any student under the awards program.

Under the bill, the Board would be authorized to solicit and accept gifts, grants, and donations from any public or private source for the purposes of the program. The Board would be required to adopt

rules to implement the program beginning with the 2010-2011 school year.

Methodology

Assuming that 5 percent of the population of students in grade 7 identified as economically disadvantaged would achieve a commended performance on state assessments, it is estimated that about 9,450 students would qualify for the program. For purposes of this fiscal note it is assumed that the cost associated with one Type III Junior College credit is \$16.99. It is also assumed that the eligible 7th graders would receive the maximum award (up to 100 units) per year. Based on these assumptions the total cost will \$16.1 million (9,450 X 100 X \$16.99) per year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: JOB, KK, RT, GO, JSc