

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 5, 2009

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB2084 by Ogden (Relating to changing the eligibility for a tuition and fees exemption under the TEXAS grant program to accommodate the amount of funding available.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2084, As Introduced: a negative impact of (\$126,723,525) through the biennium ending August 31, 2011.
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General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$83,999,985)
2011	(\$42,723,540)
2012	(\$13,447,171)
2013	(\$4,454,965)
2014	(\$4,936,074)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2010	(\$83,999,985)
2011	(\$42,723,540)
2012	(\$13,447,171)
2013	(\$4,454,965)
2014	(\$4,936,074)

Fiscal Analysis

The bill changes the eligibility requirements for the TEXAS grant program to accommodate the amount of funding available. Under provisions of the bill, the initial eligibility requirements of a person graduating from high school on or after June 1, 2010 include; 1) be a resident, 2) meet various academic requirements, 3) meet financial need requirements, 4) be enrolled in an undergraduate degree program at an eligible institution, 5) carry three-fourths of a full load as an undergraduate not later than 16 months after high school graduation, or, not later than 12 months after receiving an associates degree, 6) have applied for financial aid, and 7) meet any other requirement imposed by the Texas Higher Education Coordinating Board. Grant recipients must meet the academic requirements in increasing percentages as a group over the next few years, beginning with 25 percent for fiscal year 2011 (students graduating on or after June 1, 2010 would be entering college in fall of 2010), until all Grant recipients meet the academic requirements after June 1, 2013. Students may not receive grants for more than 150 semester credit hours. Grants expire after five or six years, depending upon the length of study for a degree program.

The bill amends Section 56.307 of the Education Code to make High School graduates that have completed the advance high school program established under Section 28.025, Education Code, eligible to receive an additional \$1,000 payment during the first academic year in which a student is receiving a TEXAS grant. The bill takes effect only if: 1) not later than September 1, 2009, a total of at least \$91 million is appropriated to the Texas Education Opportunity Grant Program for use in the 2009-10 academic year, and 2) not later than September 1, 2009, a sufficient amount of money is appropriated for the TEXAS grant program for use in the 2009-10 academic year to award grants to at least the same number of students who were awarded TEXAS grants for the 2007-08 academic year. Once the Texas Higher Education Coordinating Board certifies the requisite amount of funding was appropriated as described above, this Act takes effect January 1, 2010.

Methodology

For purposes of this fiscal note it is assumed that the legislature will appropriate \$91 million in fiscal year 2010 to the Texas Educational Opportunity Grant Program (TEOG). In fiscal year 2009, the program was appropriated \$7 million. Taking the current funding into consideration, the cost to the state would be \$84 million for fiscal year 2010. Based on information provided by the Higher Education Coordinating Board, the \$91 million appropriation would cover approximately 53,279 students in fiscal year 2010. This amount includes 51,573 in initial awards and 1,706 in renewals awards. The average TEOG award for these students is \$1,708.

For fiscal year 2011 and subsequent years, the Higher Education Coordinating Board used the historic retention rates from the TEOG program to calculate the number of students being retained each year. The retention rates are as follows—46% of freshmen are retained in the second year, and 23% of sophomores are retained in the third year. They also assumed a new cohort of students, 3,700 would be added each year. They applied that retention rate to each population of students and assumed that award amounts would increase by 5% each year. Based on these assumptions, for fiscal year 2011, a total of 27,726 ($51,573 \times .46 + 3,700$) students would receive awards (\$1,793 per award) for a total cost of \$49.7 million. Taking into account the current appropriation of \$7 million, the total cost to the state would be \$42.7 million.

Based on information provided by the Higher Education Coordinating Board, the number of students eligible for TEXAS Grants would not be reduced during the time period covered by the fiscal note due to when the eligibility changes become effective and the pool of eligible students. The change in eligibility requirements begins in fiscal year 2011 and is being phased in 25% per year. The entire pool of eligible students includes all students with an Estimated Family Contribution (EFC) of \$10,000 (not just students that received a TEXAS Grant with an EFC of \$4,000). Currently approximately 50% of eligible students are covered which means that 50% of the population, and the additional \$6,000 EFC, would add a significant number of students into the mix. There could also be increased renewal rates for new TEXAS Grant recipients based on College Readiness initiatives and P-16 Outreach programs.

The University of Texas at Brownsville, University of Texas at El Paso and the University of Pan American have indicated that a large number of their students would not meet the revised eligibility requirements and therefore reduce the amount of TEXAS grants received by those institutions. This would represent a significant negative fiscal impact on the three schools.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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