

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Gattis, Isett, Veasey, Truitt, Lucio III,  
et al.

H.B. No. 3452

A BILL TO BE ENTITLED

AN ACT

relating to creation of the Texas Armed Services Scholarship Program.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 56, Education Code, is amended by adding Subchapter R to read as follows:

SUBCHAPTER R. TEXAS ARMED SERVICES SCHOLARSHIP PROGRAM

Sec. 56.501. PROGRAM NAME. The scholarship program authorized by this subchapter is known as the Texas Armed Services Scholarship Program.

Sec. 56.502. ARMED SERVICES SCHOLARSHIPS. (a) Armed services scholarships are annual conditional scholarship grants of \$15,000 available for use at any public or private institution of higher education located in this state having a Reserve Officer Training Corps (ROTC) program, conditioned on certain obligations to which the recipient is committed detailed at Section 56.504.

(b) Any amount paid to a student for being under contract with one of the branches of the armed services of the United States shall be deducted from the armed services scholarship.

Sec. 56.503. POWERS OF APPOINTMENT. The governor, the lieutenant governor, the members of the Texas Senate, and the members of the Texas House of Representatives shall each individually have the power annually to appoint two recipients of armed services scholarships who possess the requisite

1 qualifications for the scholarship.

2 Sec. 56.504. QUALIFICATIONS. In order to qualify for an  
3 armed services scholarship, a student must:

4 (1) meet minimum college entrance requirements at a  
5 public or private institution of higher education located in this  
6 state; and

7 (2) attend, meet, and maintain the satisfactory  
8 academic progress requirements of the student's public or private  
9 institution of higher education.

10 Sec. 56.505. COMMITMENTS. In order to fulfill the  
11 student's commitments to the armed services scholarship program, he  
12 or she must:

13 (1) complete four years of ROTC training, and graduate  
14 within five years;

15 (2) upon graduation, enter into either a four-year  
16 commitment to be a member of the Texas State Guard or the Texas Army  
17 or Air Force National Guard, or a contract to serve as a  
18 commissioned officer with any branch of the armed services of the  
19 United States; and

20 (3) meet the physical examination requirements and all  
21 other prescreening requirements of the Texas State Guard, the Texas  
22 Army or Air Force National Guard, or the branch of the armed  
23 services with which the student enters into a contract.

24 Sec. 56.506. CONSEQUENCES OF FAILURE TO MEET COMMITMENTS.  
25 If at any time a recipient of an armed services scholarship either  
26 fails to maintain satisfactory academic progress, withdraws from  
27 the scholarship program, or fails to fulfill his or her commitment

1 to the Texas State Guard or the Texas Army or Air Force National  
2 Guard or his or her contract with a branch of the armed services of  
3 the United States, for any reason other than a physical inability to  
4 meet any of these commitments, all funds advanced to the recipient  
5 to that point under the armed services scholarship program shall  
6 become a debt due and owing to the State of Texas.

7 Sec. 56.507. FUNDING. (a) The Texas Higher Education  
8 Coordinating Board may solicit and accept gifts, grants, and  
9 donations from any public or private source for the purposes of this  
10 subchapter.

11 (b) The legislature may appropriate money for the purpose of  
12 this subchapter.

13 Sec. 56.508. RULEMAKING AUTHORITY. The Texas Higher  
14 Education Coordinating Board shall have authority to make rules to  
15 implement the purposes of this subchapter.

16 SECTION 2. This Act takes effect September 1, 2009.

ADOPTED

MAY 23 2009

*Atty Gen*  
Secretary of the Senate

By: Grattis / Ogden

H.B. No. 3452

Substitute the following for H.B. No. 3452:

By: Udny A. Davis

C.S.H.B. No. 3452

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to the establishment of the Texas Armed Services  
3 Scholarship.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Chapter 61, Education Code, is amended by adding  
6 Subchapter FF to read as follows:

7 SUBCHAPTER FF. TEXAS ARMED SERVICES SCHOLARSHIP PROGRAM

8 Sec. 61.9771. SCHOLARSHIP PROGRAM; SCHOLARSHIP AMOUNT. The  
9 board shall establish and administer, in accordance with this  
10 subchapter and board rules, the Texas Armed Services Scholarship  
11 Program under which the board provides an annual conditional  
12 scholarship of \$5,000 to a student who meets the eligibility  
13 criteria prescribed by Section 61.9772 and is appointed to receive  
14 a scholarship.

15 Sec. 61.9772. ELIGIBILITY; NOMINATION AND SELECTION. (a)  
16 To receive an initial scholarship under this subchapter, a student  
17 must:

18 (1) be enrolled as a freshman in a public or private  
19 institution of higher education in this state;

20 (2) enroll in and be a member in good standing of a  
21 Reserve Officers' Training Corps (ROTC) program while enrolled in a  
22 public or private institution of higher education in this state;

23 (3) be appointed to receive a scholarship by the  
24 governor, the lieutenant governor, a state senator, or a state

1 representative; and

2 (4) enter into an agreement with the board under  
3 Section 61.9773.

4 (b) In each year, the governor and the lieutenant governor  
5 may each appoint two students and each state senator and each state  
6 representative may appoint one student to receive an initial  
7 scholarship under this subchapter.

8 (c) For a student to continue to receive a scholarship  
9 awarded under this subchapter, the student must maintain  
10 satisfactory academic progress as determined by the institution in  
11 which the student is enrolled.

12 Sec. 61.9773. AGREEMENT REQUIREMENTS. (a) To receive a  
13 scholarship under this subchapter, a student must enter into an  
14 agreement with the board as provided by this section. The agreement  
15 must require the student to:

16 (1) complete four years of ROTC training;

17 (2) graduate not later than five years after the date  
18 the student first enrolls in a public or private institution of  
19 higher education in this state;

20 (3) after graduation, enter into:

21 (A) a four-year commitment to be a member of the  
22 Texas State Guard or the Texas Army or Air Force National Guard; or

23 (B) a contract to serve as a commissioned officer  
24 in any branch of the armed services of the United States;

25 (4) meet the physical examination requirements and all  
26 other prescreening requirements of the Texas State Guard, the Texas  
27 Army or Air Force National Guard, or the branch of the armed

1 services with which the student enters into a contract; and

2 (5) agree to repay the scholarship if the student:

3 (A) fails to maintain satisfactory academic  
4 progress;

5 (B) withdraws from the scholarship program; or

6 (C) fails to fulfill a commitment or contract  
7 described by Subdivision (3).

8 (b) The board shall adopt rules to exempt a student from the  
9 repayment of a scholarship under an agreement entered into under  
10 this section if the student is unable to meet the obligations of the  
11 agreement solely as a result of physical inability.

12 Sec. 61.9774. RULES. (a) The board shall adopt rules as  
13 necessary for the administration of this subchapter, including  
14 rules regarding the eligibility criteria and the selection of  
15 scholarship recipients.

16 (b) The board by rule shall provide that any amount paid to a  
17 student by a branch of the armed services of the United States  
18 during an academic year for which the student receives a  
19 scholarship under this subchapter because the student is under a  
20 contract with that branch shall be deducted from the amount of the  
21 scholarship awarded to the student for that academic year.

22 Sec. 61.9775. LIMITATION ON SCHOLARSHIP. A person may not  
23 receive a scholarship under this subchapter after earning a  
24 cumulative total of 150 credit hours or after being awarded a  
25 baccalaureate degree, whichever occurs first.

26 Sec. 61.9776. FUNDING. The board shall administer this  
27 subchapter using available appropriations and gifts, grants, and

1 donations made for the purposes of this subchapter.

2 SECTION 2. The Texas Higher Education Coordinating Board  
3 shall award scholarships under Subchapter FF, Chapter 61, Education  
4 Code, as added by this Act, beginning with the 2010-2011 academic  
5 year. The coordinating board shall adopt the rules required by that  
6 subchapter as soon as practicable after this Act takes effect.

7 SECTION 3. This Act does not make an appropriation. A  
8 provision in this Act that creates a new governmental program,  
9 creates a new entitlement, or imposes a new duty on a governmental  
10 entity is not mandatory during a fiscal period for which the  
11 legislature has not made a specific appropriation to implement the  
12 provision.

13 SECTION 4. This Act takes effect September 1, 2009.

ADOPTED

MAY 23 2009

*Leta Spaw*  
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: *Vandy Patten*

1 Amend C.S.H.B. No. 3452 (senate committee report) as follows:

2 (1) In SECTION 1 of the bill, in added Section  
3 61.9773(a)(3)(A), Education Code (page 1, lines 53-54), strike "the  
4 Texas State Guard or".

5 (2) In SECTION 1 of the bill, in added Section  
6 61.9773(a)(4), Education Code (page 1, line 58), strike "the Texas  
7 State Guard,".



**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

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

**May 28, 2009**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

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

**IN RE: HB3452** by Gattis (Relating to the establishment of the Texas Armed Services Scholarship.),  
**As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3452, As Passed 2nd House: a negative impact of (\$1,100,168) 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	(\$101,292)
2011	(\$998,876)
2012	(\$1,922,023)
2013	(\$2,857,022)
2014	(\$3,799,052)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2010	(\$101,292)
2011	(\$998,876)
2012	(\$1,922,023)
2013	(\$2,857,022)
2014	(\$3,799,052)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	1.0
2011	1.0
2012	1.0
2013	1.0
2014	1.0

**Fiscal Analysis**

The bill establishes the Texas Armed Service Scholarship Program. The new program would be administered by the Higher Education Coordinating Board. Under provisions of the bill, a qualified student could receive an annual conditional scholarship grants of up to \$5,000, available for use at any Texas public or private institution of higher education having a Reserve Officer Training Corps



(R.O.T.C.) program, conditioned on certain obligations.

The Governor, the Lieutenant Governor, the members of the Texas Senate, and the members of the Texas House of Representative each individually have the power annually to appoint one recipient of Armed Service scholarships who possess the requisite qualifications for the scholarship. In order to qualify for an Armed Services Scholarship, a student must meet minimum college entrance requirements at a Texas public university; and attend, meet and maintain the satisfactory academic progress requirements of the student's Texas public university. In order to fulfill the student's commitments to the Armed Services Scholarship program, the student must: (1) complete four years of ROTC training, and graduate within five years; (2) upon graduation, enter into either a four year commitment to be a member of the Texas Army or Air Force National Guard, or a contract to serve as a commissioned officer with any branch of the armed services of the United States; and (3) meet the physical examination requirements and all other pre-screening requirements off the Texas Army or Air Force Nation Guard, or of the branch of the armed services with which the student enters into a contract. Under provisions of the bill, a recipient of the scholarship who either fails to maintain satisfactory academic progress, withdraws from the scholarship program, or fails to fulfill the student's commitment, for any reason other than a physical inability to meet any of these commitments, all funds advanced to the recipient to that point would become a debt due to the state. The Higher Education Coordinating Board would begin awarding scholarships beginning with the 2010-11 academic year (fiscal year 2011).

### **Methodology**

Since the student will have to meet several requirements to satisfy the conditions of the scholarship program, the amount distributed to the student will be considered a loan for the time period covered by the fiscal note. For purposes of this fiscal note, the Higher Education Coordinating Board assumed that the Governor, Lieutenant Governor would appoint 2 recipients and the members of the Texas Senate, and the members of the House of Representatives will each appoint one recipients. This means that a total of 185 recipients will be selected in fiscal year 2010, and an additional 185 new recipients will be added to the previous year's cohort each year. Based on these assumptions and the maximum award of \$5,000, the total cost for the scholarships is \$925,000 in fiscal year 2011 with increased awards in the subsequent years as new cohorts are added to the program.

There would be a one-time technology cost for customized programming of \$101,292 in fiscal year 2010 to set up the new program. The remaining costs include an account representative, court filing fees, and loan servicing costs. The Higher Education Coordinating Board indicated that although the industry standard for estimating costs of servicing for student loans is 2% of the loan principal, their estimate is based on a lower servicing percentage, 1% because of the large amount of each award, \$5,000, which is not normally the case for a student's annual student loans. For standard student loans, the majority of borrowers fulfill their agreements by repaying their loans on time and the servicing costs are mostly for producing and mailing monthly billing statements, processing payments, and maintaining the data base. However, additional servicing costs are incurred (1) for the borrowers who need assistance in the form of special payment or deferment arrangements, (2) for loans that are delinquent, and (3) for loans that are in default. Based on these assumptions the servicing costs associated with the program would be \$9,250 in fiscal year 2010 and \$18,500 in fiscal year 2011 increasing in the subsequent years as the amount of loans increase.

### **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, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board

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



**LEGISLATIVE BUDGET BOARD**  
Austin, Texas

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

May 22, 2009

**TO:** Honorable Leticia Van de Putte, Chair, Senate Committee on Veteran Affairs & Military Installations

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

**IN RE: HB3452** by Gattis (relating to the establishment of the Texas Armed Services Scholarship.),  
**Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3452, Committee Report 2nd House, Substituted: a negative impact of (\$1,100,168) 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	(\$101,292)
2011	(\$998,876)
2012	(\$1,922,023)
2013	(\$2,857,022)
2014	(\$3,799,052)

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2010	(\$101,292)
2011	(\$998,876)
2012	(\$1,922,023)
2013	(\$2,857,022)
2014	(\$3,799,052)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	1.0
2011	1.0
2012	1.0
2013	1.0
2014	1.0

**Fiscal Analysis**

The bill establishes the Texas Armed Service Scholarship Program. The new program would be administered by the Higher Education Coordinating Board. Under provisions of the bill, a qualified student could receive an annual conditional scholarship grants of up to \$5,000, available for use at any



Texas public or private institution of higher education having a Reserve Officer Training Corps (R.O.T.C.) program, conditioned on certain obligations.

The Governor, the Lieutenant Governor, the members of the Texas Senate, and the members of the Texas House of Representative each individually have the power annually to appoint one recipient of Armed Service scholarships who possess the requisite qualifications for the scholarship. In order to qualify for an Armed Services Scholarship, a student must meet minimum college entrance requirements at a Texas public university; and attend, meet and maintain the satisfactory academic progress requirements of the student's Texas public university. In order to fulfill the student's commitments to the Armed Services Scholarship program, the student must: (1) complete four years of ROTC training, and graduate within five years; (2) upon graduation, enter into either a four year commitment to be a member of the Texas State Guard or the Texas Army or Air Force National Guard, or a contract to serve as a commissioned officer with any branch of the armed services of the United States; and (3) meet the physical examination requirements and all other pre-screening requirements of the Texas State Guard, the Texas Army or Air Force Nation Guard, or of the branch of the armed services with which the student enters into a contract. Under provisions of the bill, a recipient of the scholarship who either fails to maintain satisfactory academic progress, withdraws from the scholarship program, or fails to fulfill the student's commitment, for any reason other than a physical inability to meet any of these commitments, all funds advanced to the recipient to that point would become a debt due to the state. The Higher Education Coordinating Board would begin awarding scholarships beginning with the 2010-11 academic year (fiscal year 2011).

### **Methodology**

Since the student will have to meet several requirements to satisfy the conditions of the scholarship program, the amount distributed to the student will be considered a loan for the time period covered by the fiscal note. For purposes of this fiscal note, the Higher Education Coordinating Board assumed that the Governor, Lieutenant Governor would appoint 2 recipients and the members of the Texas Senate, and the members of the House of Representatives will each appoint one recipients. This means that a total of 185 recipients will be selected in fiscal year 2010, and an additional 185 new recipients will be added to the previous year's cohort each year. Based on these assumptions and the maximum award of \$5,000, the total cost for the scholarships is \$925,000 in fiscal year 2011 with increased awards in the subsequent years as new cohorts are added to the program.

There would be a one-time technology cost for customized programming of \$101,292 in fiscal year 2010 to set up the new program. The remaining costs include an account representative, court filing fees, and loan servicing costs. The Higher Education Coordinating Board indicated that although the industry standard for estimating costs of servicing for student loans is 2% of the loan principal, their estimate is based on a lower servicing percentage, 1% because of the large amount of each award, \$5,000, which is not normally the case for a student's annual student loans. For standard student loans, the majority of borrowers fulfill their agreements by repaying their loans on time and the servicing costs are mostly for producing and mailing monthly billing statements, processing payments, and maintaining the data base. However, additional servicing costs are incurred (1) for the borrowers who need assistance in the form of special payment or deferment arrangements, (2) for loans that are delinquent, and (3) for loans that are in default. Based on these assumptions the servicing costs associated with the program would be \$9,250 in fiscal year 2010 and \$18,500 in fiscal year 2011 increasing in the subsequent years as the amount of loans increase.

### **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, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board

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





LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 18, 2009

TO: Honorable Leticia Van de Putte, Chair, Senate Committee on Veteran Affairs & Military Installations

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

IN RE: **HB3452** by Gattis (Relating to creation of the Texas Armed Services Scholarship Program.),  
**As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3452. As Engrossed: a negative impact of (\$16,854,141) 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	(\$5,710,818)
2011	(\$11,143,323)
2012	(\$16,689,705)
2013	(\$22,236,088)
2014	(\$27,824,194)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2010	(\$5,710,818)
2011	(\$11,143,323)
2012	(\$16,689,705)
2013	(\$22,236,088)
2014	(\$27,824,194)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	1.0
2011	1.0
2012	1.0
2013	1.0
2014	1.0

Fiscal Analysis

The bill establishes the Texas Armed Service Scholarship Program. The new program would be administered by the Higher Education Coordinating Board. Under provisions of the bill, a qualified student could receive an annual conditional scholarship grants of up to \$15,000, available for use at



any Texas public or private institution of higher education having a Reserve Officer Training Corps (R.O.T.C.) program, conditioned on certain obligations.

The Governor, the Lieutenant Governor, the members of the Texas Senate, and the members of the Texas House of Representative each individually have the power annually to appoint two recipients of Armed Service scholarships who possess the requisite qualifications for the scholarship. In order to qualify for an Armed Services Scholarship, a student must meet minimum college entrance requirements at a Texas public university; and attend, meet and maintain the satisfactory academic progress requirements of the student's Texas public university. In order to fulfill the student's commitments to the Armed Services Scholarship program, the student must: (1) complete four years of ROTC training, and graduate within five years; (2) upon graduation, enter into either a four year commitment to be a member of the Texas State Guard or the Texas Army or Air Force National Guard, or a contract to serve as a commissioned officer with any branch of the armed services of the United States; and (3) meet the physical examination requirements and all other pre-screening requirements of the Texas State Guard, the Texas Army or Air Force Nation Guard, or of the branch of the armed services with which the student enters into a contract. Under provisions of the bill, a recipient of the scholarship who either fails to maintain satisfactory academic progress, withdraws from the scholarship program, or fails to fulfill the student's commitment, for any reason other than a physical inability to meet any of these commitments, all funds advanced to the recipient to that point would become a debt due to the state.

### **Methodology**

Since the student will have to meet several requirements to satisfy the conditions of the scholarship program, the amount distributed to the student will be considered a loan for the time period covered by the fiscal note. For purposes of this fiscal note, the Higher Education Coordinating Board assumed that the Governor, Lieutenant Governor, the members of the Texas Senate, and the members of the House of Representatives will each appoint two recipients. This means that a total of 366 recipients will be selected in fiscal year 2010, and an additional 366 new recipients will be added to the previous year's cohort each year. Based on these assumptions and the maximum award of \$15,000, the total cost for the scholarships is \$5,490,000 in fiscal year 2010 and \$10,980,000 in fiscal year 2011 with increased awards in the subsequent years as new cohorts are added to the program.

The remaining costs include an account representative, one time technology costs for customized programming required to add a new loan type with unique characteristics, court filing fees, and loan servicing costs. The Higher Education Coordinating Board indicated that although the industry standard for estimating costs of servicing for student loans is 2% of the loan principal, their estimate is based on a lower servicing percentage, 1% because of the large amount of each award, \$15,000, which is not normally the case for a student's annual student loans. For standard student loans, the majority of borrowers fulfill their agreements by repaying their loans on time and the servicing costs are mostly for producing and mailing monthly billing statements, processing payments, and maintaining the data base. However, additional servicing costs are incurred (1) for the borrowers who need assistance in the form of special payment or deferment arrangements, (2) for loans that are delinquent, and (3) for loans that are in default. Based on these assumptions the servicing costs associated with the program would be \$54,900 in fiscal year 2010 and \$109,800 in fiscal year 2011 increasing in the subsequent years as the amount of loans increase.

### **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, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board

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



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

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

**April 13, 2009**

**TO:** Honorable Frank Corte Jr., Chair, House Committee on Defense & Veterans' Affairs

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

**IN RE: HB3452** by Gattis (Relating to creation of the Texas Armed Services Scholarship Program.),  
**As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3452, As Introduced: a negative impact of (\$16,854,141) through the biennium ending August 31, 2011.

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**Fiscal Analysis**

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

