

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**  
**Revision 1**

**April 25, 2011**

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

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

**IN RE: SB1581** by Ogden (Relating to state fiscal matters related to public and higher education. ),  
**Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1581, Committee Report 1st House, Substituted: a positive impact of \$30,034,567 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2012	\$14,969,718
2013	\$15,064,849
2014	\$15,150,244
2015	\$15,224,295
2016	\$15,285,220

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>	<b>Probable Savings/(Cost) from Foundation School Fund 193</b>
2012	\$6,139,718	\$8,830,000
2013	\$6,234,849	\$8,830,000
2014	\$6,320,244	\$8,830,000
2015	\$6,394,295	\$8,830,000
2016	\$6,455,220	\$8,830,000

**Fiscal Analysis**

The bill would implement the recommendation in the report, "Limit Advanced Placement Incentive Program Exam Fee Subsidies and End Campus Awards," in the Legislative Budget Board's Government Effectiveness and Efficiency Report submitted to the Eighty-Second Texas Legislature, 2011 by funding the cost of examinations for students who demonstrate financial need in accordance with adopted guidelines.

The bill would end eligibility to redeem Early High School Graduation Scholarships awards issued prior to fiscal year 2012 effective for fiscal year 2018 and would close the program to new awards effective for fiscal year 2012.

The bill would eliminate automatic transfers of funding from the Foundation School Program (FSP) to the Texas Higher Education Coordinating Board (THECB) for purposes of funding certain tuition exemption programs.

The bill would limit eligibility for Educational Aide tuition exemptions to persons seeking certification in teacher shortage areas, as determined by the Commissioner.

The bill would exclude physical education curriculum from counting towards contact hours used to determine a junior college's proportionate share of the state money appropriated.

## **Methodology**

The bill would limit AP/IB exam fee subsidies to students who are educationally disadvantaged as defined in Section 5.001(4), Education Code, which would save an estimated \$6.1 million in General Revenue Funds for fiscal year 2012 and \$6.2 million in General Revenue Funds for fiscal year 2013, increasing to \$6.5 million by fiscal year 2016. This estimate is based on current appropriations of \$8.4 million for exam fee subsidies and assumes a 4 percent increase in the total number of AP/IB exams taken and a 9 percent increase in the number of AP/IB exams taken by low-income students that would be eligible for a subsidy each school year. Projected increases are based on historical data and growth in participation provided by TEA. The savings from the provision are assumed in CSHB 1.

Students who receive Early High School Graduation Scholarships have six years from the date of the award in which to apply the scholarship to eligible higher education expenses. The THECB estimates about \$10.6 million in unredeemed awards that have not yet expired. For purposes of this estimate, it is assumed that one-fifth of those awards are redeemed each fiscal year beginning in fiscal year 2012. Based on that assumption and annual state cost for the program in recent fiscal years of \$7.2 million, provisions closing the Early High School Graduation Scholarship program to new awards effective for fiscal year 2012 is estimated to reduce state cost by \$5.1 in General Revenue annually. The savings from the provision is assumed in CSHB 1.

Provisions limiting eligibility for Educational Aide tuition exemptions to persons seeking certification in teacher shortage areas is estimated to reduce state costs for this program by \$3,750,000 in General Revenue annually. The savings from the provision are assumed in CSHB 1.

Provisions eliminating automatic transfers of funding from the Foundation School Program (FSP) to the Texas Higher Education Coordinating Board (THECB) for purposes of funding certain tuition exemption programs affect the Early High School Graduation Scholarship program and the Educational Aide tuition exemption program as well as tuition subsidies for certain TANF eligible students and make funding for each of these programs subject to appropriations by the Legislature. Estimates of savings related to these programs referenced above are made without consideration of appropriations levels currently being considered by the Eighty-second Legislature for the 2012-13 biennium and are estimated in reference to appropriation levels similar to those in the 2010-11 biennium. To the extent that actual appropriations in future fiscal years for these programs are greater than or less than the amounts assumed for purposes of this estimate, actual savings to the 2012-13 budget would vary. The savings from the provision are assumed in CSHB 1.

If the provisions of the bill related to the Early High School Graduation Scholarship and other higher education tuition exemptions decreased the number of students enrolled at higher education institutions, the legislature could reduce General Revenue formula funds and maintain the formula rate. The legislature could also decide to keep the same amount of General Revenue funds in the formula, thereby increasing the formula rate.

The bill would exclude physical education curriculum from counting towards contact hours used to determine a junior college's proportionate share of the state money appropriated. The Texas Higher Education Coordinating Board estimates that provisions related to the exclusion of physical education courses from contact hour calculations for purposes of determining state funding for junior colleges would result in minimal savings. Those savings are not estimated to be significant.

The bill would also allow the liquidation of the Permanent Health Fund (Other Funds) managed by

The University of Texas System and would reduce the distribution of earnings for those institutions that receive interest earnings for those institutions that receive its portion of the endowment less any expenses. It is estimated that the total value of the Permanent Health Fund is \$430 million for 10 Health-related Institutions while the estimated distributions of the funds for 2012-13 is \$45.5 million.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 323 Teacher Retirement System, 701 Central Education Agency, 781 Higher Education Coordinating Board

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