

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 6, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB66 by Lucio III (Relating to the establishment of a pilot program under which high school students may accrue prepaid tuition units at public institutions of higher education by completing certain community service activities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB66, As Introduced: an impact of \$0 through the biennium ending August 31, 2015.

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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	\$0
2016	(\$4,987,094)
2017	(\$6,556,900)
2018	(\$7,982,250)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2014	\$0
2015	\$0
2016	(\$4,987,094)
2017	(\$6,556,900)
2018	(\$7,982,250)

Fiscal Analysis

The bill would amend the Education Code to require the Prepaid Higher Education Tuition Board (Board) to develop and implement the Serve Your Way to College pilot program. The Board, in cooperation with the Commissioner of Education, would select five school districts to participate

in the pilot program. A participating student would be required to register with the Board not later than three and one-half academic years prior to the student's expected high school graduation date. The student would earn a credit towards the purchase of tuition units for each hour the student engages in a qualifying community service activity. The value of the credit would be prescribed by the board; but the hourly amount may not be less than the federal minimum hourly wage. The Board would purchase prepaid tuition credits for the participating student. The student must perform at least 50 hours of service before tuition units may be purchased and not more than 250 hours of service per year may be applied towards purchase of tuition units. The Board would be authorized to solicit and accept gifts, grants and donations from public or private sources for the program. The Board would be required to adopt rules to implement the pilot program beginning with the 2014-2015 school year. By January 1, 2021, the Board would be required to deliver a report addressing the success of the pilot program to the Lieutenant Governor, Speaker of the House of Representatives and the presiding officer of the standing committee of each house of the legislature with primary jurisdiction over higher education.

Methodology

The cost to the state would depend on the number of students participating in the pilot program, the number of qualifying community service hours performed, and the value of the Federal minimum wage. It is assumed the purchase of prepaid tuition units would be made with general revenue and would occur not earlier than fiscal year 2016. To the extent that gifts, grants, or donations are received for this purpose, the general revenue cost would be reduced.

The eligible student population for this bill are students from the 7th to the 12th grade. The bill specifies both a geographic distribution of participating districts as well as a variation in types of districts. Two of the type descriptions match Texas Education Agency categories ("urban" and "rural"). "Large" districts were assumed to be non-major urban districts with an eligible student population of 10,000 or greater. "Small" districts were assumed to be non-rural districts with an eligible student population of less than 10,000.

The median large urban district and the median large district were selected to develop the estimate for this fiscal note. Small and rural districts near the median population were then selected to match the geographic requirements of the bill. The fifth district with an unspecified district type was assumed to be rural.

The bill specifies that the first cohort of eligible students (grades 7-9) will occur in school year 2014-2015. It is assumed that the purchase of credits for these students will occur in fiscal year 2016. As two additional cohorts enter the eligible population pool, the yearly cost increases. We assume that ten percent of eligible students will participate and complete the full 250 allowable hours and receive the maximum allowable credit. We assume the Federal minimum wage is unchanged.

Technology

The Comptroller of Public Accounts indicated a one-time technology cost of \$100,000 for the Prepaid Higher Education Tuition Board for computer programming and system support costs to track participants and eligible community service activities. This amount is not included in the table above.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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