

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 26, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2468 by Villarreal (Relating to financial aid.), **As Introduced**

The fiscal implications of the bill are indeterminate, due to data limitations for the potential population and associated renewal rates. The bill is estimated to have probable General Revenue costs in the range of \$180 million to \$210 million for the 2014-15 biennium based on a comparison of full funding for the TEXAS Grant program under the current award practice and full funding under the current award practice with provisions of the bill being implemented. Included below is information regarding the estimated fiscal implication.

The bill would require the Higher Education Coordinating Board (THECB) to design and implement a series of randomized controlled trials with educational institutions and analyze the results to determine the causal relationship between the receipt of grant aid and student participation, persistence and graduation. The bill includes specific provisions on the purpose of the studies and how the agency would use the results of the studies. THECB would implement this provision of the bill within existing resources.

The bill would modify eligibility requirements for the TEXAS Grant Program to include transfer students with a least 24 semester credit hours and an overall grade point average of 2.5 on a 4 point scale. It is estimated that this provision could have a dramatic impact on the number of students eligible for TEXAS Grants. Although the TEXAS Grant program is currently not fully funded, to estimate this impact, a comparison of full funding for the program under current award practices, which includes \$5,000 maximum award amount to universities, to full funding with provisions of the bill being implemented was done. Based on projections provided by the Higher Education Coordinating Board it is estimated that to fully fund TEXAS Grants in the 2014-15 biennium, under the current award practice of \$5,000 award amount to public universities, would require approximately \$790 million in funding. To fully fund TEXAS Grants with provisions of the bill implemented would require approximately \$1 billion in funding. The difference of approximately of \$210 million would represent the impact of the transfer students. It is estimated that 16,364 transfer students would receive an award in fiscal year 2014 at a total cost of \$81.8 million ($\$5,000 \times 16,364$). For fiscal year 2015, it is assumed that 60% of these transfer students would receive a renewal award and 15,709 new transfer students would receive an award at a total cost of \$127.6 million ($(9,818 + 15,709) \times \$5,000$). It is anticipated that the THECB will receive \$30 million in donations from the Texas Guaranteed Student Loan Corporation in the 2014-15 biennium which would decrease the amount of General Revenue needed to support the program. Beginning in fiscal year 2016, costs are estimated to be \$145 million to \$160 million per year.

Under provisions of the bill, an undergraduate student, who receives a TEXAS Grant from a

general academic teaching institution, must participate in a student engagement program sponsored by the institution. The student must complete the program during the person's first academic year at the institution unless the student is able to show hardship or other good cause that affects the student's ability to participate in the program. The general academic teaching institution, before the academic year begins, is required to develop one or more student engagement programs designed to increase student persistence, retention, and graduation rates and determine the degree of program participation necessary for a grant recipient to satisfy this requirement. A student engagement program may be operated through any appropriate means including mentoring activity or a small group seminar or other learning community. This provision would not apply to a person who first receives a Texas Grant for a semester of term before the 2014 fall semester. The bill would require that each general academic teaching institution would report to the THECB certain information regarding the student engagement programs, including rate of participation in the program by December 31, 2018. Several institutions have indicated that establishment of a student engagement program, requiring monitoring of student participation, and reporting would require additional personnel and operating expenses. These costs range from approximately \$50,000 to \$75,000 per institution. These costs are not considered significant.

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, 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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