

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 9, 2013

TO: Honorable Kel Seliger, Chair, Senate Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3640** by Pitts (Relating to the creation of an extension center of the Texas State Technical College System.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3640, As Engrossed: a negative impact of (\$10,745,180) 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	(\$5,147,356)
2015	(\$5,597,824)
2016	(\$7,790,798)
2017	(\$7,875,317)
2018	(\$8,660,671)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain from Est Oth Educ & Gen Inco 770	Probable (Cost) from Est Oth Educ & Gen Inco 770	Probable Revenue Gain from Institutional Funds
2014	(\$5,147,356)	\$111,395	(\$111,395)	\$69,444
2015	(\$5,597,824)	\$357,232	(\$357,232)	\$214,332
2016	(\$7,790,798)	\$967,982	(\$967,982)	\$562,610
2017	(\$7,875,317)	\$1,244,549	(\$1,244,549)	\$711,380
2018	(\$8,660,671)	\$1,431,231	(\$1,431,231)	\$818,087

Fiscal Year	Probable (Cost) from <i>Institutional Funds</i>	Change in Number of State Employees from FY 2013
2014	(\$69,444)	21.0
2015	(\$214,332)	39.0
2016	(\$562,610)	76.0
2017	(\$711,380)	84.0
2018	(\$818,087)	96.0

Fiscal Analysis

The bill amends the Education Code relating to the creation of an extension center of the Texas State Technical College (TSTC) System located in Ellis County.

Methodology

Based on information provided by the TSTCs, the analysis estimates that general revenue funding for special items, employee benefits, formula funding, and tuition revenue bond debt service would be required to implement the provisions of this bill in the amounts of \$5.1 million in fiscal year 2014, \$5.6 million in fiscal year 2015, \$7.8 million in fiscal year 2016, \$7.9 million in fiscal year 2017, and \$8.7 million in fiscal year 2018.

Based on information provided by the TSTCs, it is anticipated that the extension center would begin offering programs in January 2014 and it is assumed that a special item for start-up costs and institutional operations would be required to operate the extension center in Ellis County. It is estimated that the TSTCs would be appropriated a special item for \$2.25 million in general revenue in fiscal year 2014, \$2.48 million in fiscal year 2015, \$3.99 million in fiscal years 2016-2017, and \$4.0 million in fiscal year 2018. It is also estimated based on information provided by the TSTCs, that the system would need additional full time equivalent (FTEs) positions of 21.0 FTEs in fiscal year 2014 and increasing to 96.0 FTEs in fiscal year 2018 for the new extension center. This would result in a benefits cost to the state of \$257,730 in fiscal year 2014, \$474,419 in fiscal year 2015, \$901,172 in fiscal year 2016, \$985,691 in fiscal year 2017, and \$1,133,545 in fiscal year 2018.

It is assumed that there would be a cost to general revenue from an estimated increase in formula funding for the TSTCs due to additional students enrolled at the extension center. This cost would begin in fiscal year 2016 as formula funding is provided to institutions based on student data prior to the biennium that will be funded. Formula funding in fiscal years 2014 and 2015 will be based on students that are enrolled during fiscal year 2013. Using information provided by the TSTCs and applying estimated amounts of general revenue provided per student in formula funding, it is estimated that the state will see a cost of \$258,205 each year for fiscal years 2016 and 2017 and \$869,062 in fiscal year 2018.

Based on information provided by the TSTCs, it is assumed that the establishment of an extension center would require a tuition revenue bond of \$35.0 million to be authorized by the legislature (\$30.0 million for construction and \$5.0 million for furniture, fixtures and equipment). It is assumed that tuition revenue bond debt service would be appropriated to the institution beginning in fiscal year 2014. Based on information provided by the TSTCs, it is estimated that the debt service would be \$2,639,626 beginning in fiscal year 2014.

In addition, based on information provided by the TSTCs, it is assumed that the system will issue

TSTC local revenue bonds worth \$10.0 million with debt service of \$674,390 each fiscal year paid for by institutional funds.

Based on information provided by the TSTCs, it is estimated that there will be an increase in statutory tuition, General Revenue-Dedicated Fund 770, from new students in the amount of \$111,395 in fiscal year 2014, \$357,232 in fiscal year 2015, \$967,982 in fiscal year 2016, \$1,244,549 in fiscal year 2017, and \$1,431,231 in fiscal year 2018.

Based on information provided by the TSTCs, it is estimated that there will be an increase in institutional funds (designated tuition and fees) from new students in the amount of \$69,444 in fiscal year 2014, \$214,332 in fiscal year 2015, \$562,610 in fiscal year 2016, \$711,380 in fiscal year 2017, and \$818,087 in fiscal year 2018.

It is assumed that these increases in General Revenue-Dedicated Fund 770 and institutional funds would be offset by the expenditures of these funds on local revenue bond debt service and other institutional operations associated with the establishment of this extension center.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 719 Texas State Technical College System Administration, 781 Higher Education Coordinating Board

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