

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 19, 2013

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB215** by Birdwell (Relating to the continuation and functions of the Texas Higher Education Coordinating Board, including related changes to the status and functions of the Texas Guaranteed Student Loan Corporation.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB215, As Passed 2nd House: a positive impact of \$4,665,294 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	\$2,290,181
2015	\$2,375,113
2016	\$2,420,808
2017	\$2,467,281
2018	\$2,514,543

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings from <i>Foundation School Fund</i> 193
2014	(\$352,867)	\$2,643,048
2015	(\$312,867)	\$2,687,980
2016	(\$312,867)	\$2,733,675
2017	(\$312,867)	\$2,780,148
2018	(\$312,867)	\$2,827,410

Fiscal Year	Change in Number of State Employees from FY 2013
2014	4.0
2015	4.0
2016	4.0
2017	4.0
2018	4.0

Fiscal Analysis

The Texas Higher Education Coordinating Board (Coordinating Board) is subject to the Sunset Act and will be abolished on September 1, 2013 unless continued by the Legislature. The bill contains the following provisions.

Requires the Coordinating Board to provide opportunities for public comment at each board meeting.

Requires one-third of the members of the Coordinating Board to have experience in the field of higher education.

Requires the Coordinating Board to adopt rules for its use of advisory committees, ensuring the committees meet standard structure and operating criteria, and report recommendations directly to the board.

Requires the Coordinating Board to strengthen its internal controls for allocating financial aid funding and ensure stakeholder input by adopting allocation methodologies in rule.

Redefines the Coordinating Board's powers and duties in statute to reflect the major functions of a higher education coordinating entity, including repealing outdated subsections of the Education Code and moves other subsections to new sections of law.

Combines long-range planning requirements for higher education in statute.

Updates the Coordinating Board's statute to define its academic program approval authority in one section of law.

Eliminates unfunded programs from statute.

Eliminates certain reporting requirements.

Requires the Coordinating Board to periodically re-evaluate the ongoing need for all existing data requests it imposes on higher education institutions through rule or policy.

Provides for the Coordinating Board to administer pilot projects to identify best practices only in circumstances where other entities cannot or will not administer the programs.

Removes all two-year institutions from participation in the B-On-Time loan program and provides that the Coordinating Board establish a plan for improving participation in, and success in completing B-O-Time awards. It then requires that tuition set-asides be directly returned to institutions at the proportion they were collected during the previous academic year and states

that set-aside funds not needed for B-On-Time can be accessed by the institution only if B-On-Time participation rates have increased or if the institution has implemented the B-On-Time improvement plan.

Requires the Coordinating Board to engage affected institutions of higher education in negotiated rulemaking processes when adopting a policy, procedure or rule relating to admissions policies, the allocation or distribution of funds, including financial aid or other trusted programs, certain data requests and compliance monitoring.

Requires the Coordinating Board, in consultation with affected stakeholders, to establish a risk-based, agency-wide compliance monitoring function. In developing the risk-based approach, the Coordinating Board would be required to prioritize seven factors relating to an institution of higher education. Two factors include the amount of student financial assistance or grant funds allocated to the institution and whether the data reported by the institution is used for determining funding allocations. Under provisions of the bill, if the Coordinating Board determines through its compliance monitoring that an institution of higher education has included errors in the institution's data reported for formula funding, the Board, for a public junior college, may adjust the appropriations made to the college for a fiscal year as necessary to account for the corrected data. If the error is for a general academic teaching institution, a medical and dental unit, or a public technical institute, the Coordinating Board shall calculate a revised appropriation amount and report this information to the Legislative Budget Board and governor for consideration as the basis for budget execution or other appropriate action, and to the comptroller. The Coordinating Board would be required to train compliance monitoring staff to ensure the staff has the ability to monitor both funds compliance and data reporting accuracy.

Requires the Coordinating Board to establish and administer a pilot program at selected postsecondary educational institutions to improve student loan default rates and financial aid literacy among postsecondary students. The board would select at least one institution from several categories of postsecondary educational institutions to participate in the program. In selecting institutions, the board shall give priority to those that have a student loan default rate of more than 20 percent or a negative trend in the institution's three-year student loan default rate. The board shall adopt rules for the administration of the pilot program and may contract with one or more entities to administer the pilot program. Not later than January 1 of each year, beginning in 2016, the board shall submit a report to the governor, the lieutenant governor and the speaker of the house of representatives regarding the outcomes of the pilot program, as reflected in the federal student loan default rates reported for the participating institutions.

Requires the Board to establish and publish the allocation methodologies and develop procedures to verify the accuracy of the application of those allocation methodologies by board staff for any funds trusted to the board for allocation to institutions of higher education, including financial aid program funds.

Continues the Texas Higher Education Coordinating Board for 12 years.

The bill would amend various sections of the Education Code as it relates to the the Texas Guaranteed Student Loan Corporation, including converting the corporation from a public nonprofit corporation to a nonprofit corporation under Chapter 22, Business Organization Code. The bill would also transfer duties of the corporation to the Coordinating Board.

The bill would combine the Norman Hackerman Advanced Research Program and the Advanced Technology Program.

The bill would eliminate tech-prep programs of study from the definition of a career and technical

education sequence of courses.

The bill would require the Coordinating Board to study the creation of a state financial assistance programs for students attending WGU Texas or similar on-line universities.

The bill amends various sections of the Education Code as it relates to the TEXAS Grant program. The bill changes TEXAS Grant eligibility from students seeking an undergraduate degree or certificate to students seeking a baccalaureate degree and removes 2-year colleges from eligibility for TEXAS grant funding. The bill would require the Higher Education Coordinating Board to allocate the TEXAS grant funding "proportionally" among the remaining eligible institutions. Under provisions of the bill, a community college student could still receive a TEXAS Grant in fiscal year 2014 and subsequent renewal recipients in fiscal year 2015 would also receive TEXAS Grants. Beginning in fiscal year 2015, new community college students would not be eligible for TEXAS Grants. The bill eliminates the existing statutory requirement that the award of a TEXAS Grant also requires an institution to provide grant aid and/or tuition waivers sufficient to meet all tuition and fee charges at the institution.

The bill would require the Coordinating Board to ensure that an institution of higher education does not institute a policy or engage in a practice that requires a student organization to admit a member under certain criteria.

The bill would create the Adult Stem Cell Research Program which would be funded exclusively by donations.

Methodology

Although the bill modifies eligibility requirements for the B-On-Time Program in regards to two year institutions participating in the program, based on information included in the Sunset Commission Report, B-On-Time amounts disbursed to students attending two year institutions was not significant compared to state appropriations for the program. Therefore any impact on general revenue funds tied to this provision is not considered significant to the state. The remaining provisions under the bill would be implemented within existing resources except for the new compliance function.

The Sunset Commission has estimated that the new compliance monitoring function would require the hiring of four additional FTEs. These FTES include the hiring of one Auditor V at a cost for salaries and wages of \$69,552, one Auditor IV at a cost of \$60,750, one Auditor III at a cost of \$53,061 and one Auditor II at a cost of \$45,454 per year. Employee benefits associated with these four FTEs is estimated to be \$68,050. The Sunset Commission also estimated travel costs associated with conducting audits at institutions would be \$16,000 per year which would cover 10 audit trips per year, at a cost of \$400 per trip, or \$4,000 per auditor. The total cost of of \$312,867 per year is reflected in the tables above.

General Revenue savings associated with changes to the TEXAS Grant program are indeterminate. Based on information provided by the Higher Education Coordinating Board, in fiscal year 2012 and fiscal year 2013, approximately \$30 million each year was awarded to students attending 2-year institutions. Included in this amount was funding for initial and renewal awards. Using the 2013 funding amount for initial awards as a basis, an estimated \$20.7 million in general revenue would be saved beginning in fiscal year 2015. Savings generated by the bill could be reduced if the appropriation level for the program is not modified and the agency employs its existing statutory discretion to increase the current award amount of \$5,000 at four year institutions, to transfer funding to the Texas Education Opportunity Grant program (which supports community

college students), or to make grants at the existing level of funding available to more students at four-year institutions.

The Texas Education Agency indicates that eliminating tech-prep programs of study from the career and technical education allotment amount would save \$2.6 million in fiscal year 2014, \$2.7 million in fiscal year 2015, and would grow to a savings of \$2.8 million in fiscal year 2018 from the Foundation School Fund.

Technology

It is assumed that there will be a one time technology cost of \$10,000 per FTE in fiscal year 2014 only.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 360 State Office of Administrative Hearings, 701 Central Education Agency, 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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