

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 2, 2013

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

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.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB215, Committee Report 1st House, Substituted: a negative impact of (\$665,734) 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	(\$352,867)
2015	(\$312,867)
2016	(\$312,867)
2017	(\$312,867)
2018	(\$312,867)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund
	1
2014	(\$352,867)
2015	(\$312,867)
2016	(\$312,867)
2017	(\$312,867)
2018	(\$312,867)

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 Sunset Commission recommendations regarding the Coordinating Board:

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

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

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and duties in statute to reflect the major functions of a higher education coordinating entity, including repealing outdated subsections of the Education Code and moves other subsections to new sections of law.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 20 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.

Requires the Coordinating Board 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.

Continues the Texas Higher Education Coordinating Board for 12 years.

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. This cost is reflected in the tables above.

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, 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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