

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 24, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1720 by Patrick (Relating to the Texas Teach Corps Loan Repayment Assistance Program for undergraduate students who agree to teach in school districts in this state that have shortages of teachers in mathematics or science.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1720, As Introduced: an impact of \$0 through the biennium ending August 31, 2015.

However, there would be a significant cost of (\$5,128,708) in fiscal year 2017 and increasing to a cost of (\$10,228,708) in fiscal year 2018 and continuing thereafter.

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	(\$91,940)
2017	(\$5,128,708)
2018	(\$10,228,708)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2014	\$0
2015	\$0
2016	(\$91,940)
2017	(\$5,128,708)
2018	(\$10,228,708)

Fiscal Year	Change in Number of State Employees from FY 2013
2014	0.0
2015	0.0
2016	0.5
2017	0.5
2018	0.5

Fiscal Analysis

The bill would create the Texas Teach Corps Loan Repayment Assistance Program for undergraduate students who agree to teach in school districts that have teacher shortages in mathematics and science. Under provisions of the bill, the Higher Education Coordinating Board (Board) would establish and administer the program to undergraduate students who are enrolled in educator preparation programs and agree to teach for a specified period in the public schools that are determined by the Texas Education Agency to have shortages of teachers in mathematics and science. The bill includes specific eligibility requirements regarding the program including service and repayment provisions. Subject to the availability of funds, the amount of an assistance payment provided under the bill in any year to an eligible person is \$5,000.

Under provisions of the bill, not more than 1,000 eligible persons may be provided loan repayment assistance year, for the 2016-17 academic year. The maximum number of eligible persons for the 2017-18 academic year and the 2018-19 academic year are 2,000 and 3,000 respectively. The maximum number of eligible persons that can be provided loan repayment assistance in any school year is 4,000. This section of the bill would expire January 1, 2020.

The bill would create the mathematics and science teacher investment fund. The fund is a dedicated account in the general revenue fund and consists of appropriations of money to the fund by the legislature, gifts, grants and other donations received for the fund and interest and other earnings from the investment of the fund.

The Board would begin providing loan repayment assistance under the program to eligible persons teaching in the 2016-17 school year.

Methodology

For purposes of this fiscal note it is assumed that loan repayments would begin in fiscal year 2017 based on provisions of the bill indicating the Board would provide loan repayment assistance beginning in the 2016-2017 school year. It is also assumed the amount of the scholarship would be \$5,000 and the number of scholarships awarded would be 1,000 in fiscal year 2017 and 2,000 in fiscal year 2018, (the limits contained in the bill). Based on these assumptions the general revenue costs associated with the bill would be \$5 million in fiscal year 2017 and \$10 million in fiscal 2018. These amounts could be less depending on how many students take advantage of the program.

The remaining costs associated with the bill are tied to administrative costs for the program. The Board has indicated they would need .5 FTEs to administer the program. Salaries and benefits for this .5 FTE is estimated to be \$39,295 in fiscal year 2016 and \$28,708 beginning in fiscal year 2017 based on the assumption that the Board would start up the program in fiscal year 2016 to

allow for student loan software changes, development of administrative rules or amendments, and communications about the program, including announcements to the financial aid administrators. Beginning in fiscal year 2017 there are estimated servicing costs based on the student loan industry standard of 2% of the loan principal. Based on the loan repayment amounts of \$5 million in fiscal year 2017 and \$10 million in fiscal year 2018, the servicing costs are estimated to be \$100,000 in fiscal year 2017 and \$200,000 in fiscal year 2018.

Technology

There would be a one-time technology cost of \$52,645 to add a new loan type to the Board's student loan software system in fiscal year 2016.

Local Government Impact

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

Source Agencies: 781 Higher Education Coordinating Board

LBB Staff: UP, KK, SK, GO, RT