

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 28, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB658 by Zerwas (Relating to the creation of a campus of the Texas State Technical College System in Fort Bend County.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB658, As Engrossed: a negative impact of (\$12,054,520) through the biennium ending August 31, 2017.

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 |
|-------------|--|
| 2016 | (\$5,800,281) |
| 2017 | (\$6,254,239) |
| 2018 | (\$6,299,466) |
| 2019 | (\$6,349,050) |
| 2020 | (\$6,430,790) |

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 |
|-------------|---|--|--|--|
| 2016 | (\$5,800,281) | \$0 | \$0 | \$0 |
| 2017 | (\$6,254,239) | \$940,605 | (\$940,605) | \$496,967 |
| 2018 | (\$6,299,466) | \$1,222,787 | (\$1,222,787) | \$646,057 |
| 2019 | (\$6,349,050) | \$1,504,968 | (\$1,504,968) | \$795,147 |
| 2020 | (\$6,430,790) | \$2,069,331 | (\$2,069,331) | \$1,093,327 |

| Fiscal Year | Probable (Cost) from <i>Institutional Funds</i> | Change in Number of State Employees from FY 2015 |
|--------------------|--|---|
| 2016 | \$0 | 8.0 |
| 2017 | (\$496,967) | 47.1 |
| 2018 | (\$646,057) | 47.1 |
| 2019 | (\$795,147) | 50.0 |
| 2020 | (\$1,093,327) | 55.0 |

Fiscal Analysis

The bill amends the Education Code relating to the creation of a campus of the Texas State Technical College (TSTC) System located in Fort Bend 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 the bill in the amounts of \$5.8 million in fiscal year 2016, \$6.3 million in fiscal year 2017, \$6.3 million in fiscal year 2018, \$6.4 million in fiscal year 2019, and \$6.4 million in fiscal year 2020.

Based on information provided by TSTCs, it is anticipated that the campus would begin offering programs in fiscal year 2017 and it is assumed that a special item for start-up costs and institutional operations would be required to operate the campus in Fort Bend County. It is estimated that the TSTCs would be appropriated a special item for transition funding of \$4.5 million in General Revenue in fiscal year 2016, \$4.5 million in 2017, \$4.2 million in fiscal year 2018, \$4.2 million in fiscal year 2019, and \$4.0 million in fiscal year 2020. It is also estimated based on information provided by the TSTCs, that the system would need additional full-time equivalent (FTEs) positions of 8.0 FTEs in fiscal year 2016 increasing to 55.0 FTEs by fiscal year 2020 for the new campus. This would result estimated benefits and payroll costs to the state of \$100,654 in fiscal year 2016, \$554,612 in fiscal year 2017, \$599,839 in fiscal year 2018, \$649,423 in fiscal year 2019, and \$731,163 in fiscal year 2020.

It is assumed that there would be a cost to General Revenue from an estimated increase in formula funding for the TSTCs due to the additional square footage from the TSTC campus. This estimate assumes the new campus would begin generating formula funding from the General Academic Institution, Lamar State Colleges, and Texas State Technical Colleges' Infrastructure Formula beginning in the 2018-19 biennium, estimated to be \$288,895 per year in General Revenue in fiscal years 2018 and 2019, and \$462,233 in fiscal year 2020. This estimate assumes current returned-value formula funding methodology for the TSTC Instruction and Operations formula. Accordingly, this estimate assumes the new campus would not generate Instruction and Operations formula funding until the 2024-25 biennium, due to students taking and then completing courses at the new campus and then generating five years worth of post TSTC wage history for the returned-value model before formula funding would begin.

Based on information provided by TSTCs, it is assumed that the establishment of the campus would require a tuition revenue bond of \$15 million to be authorized by the Legislature. It is assumed that tuition revenue bond debt service would be appropriated to the institution beginning in fiscal year 2016. Based on information provided by the TSTCs, it is estimated that the annual debt service would be \$1,199,627 beginning in fiscal year 2016.

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 \$940,605 in fiscal year 2017, \$1,222,787 in fiscal year 2018, \$1,504,968 in fiscal year 2019, and \$2,069,331 fiscal year 2020.

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 \$496,967 in fiscal year 2017, \$646,057 in fiscal year 2018, \$795,147 in fiscal year 2019, and \$1,093,327 in fiscal year 2020.

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 other institutional operations associated with the establishment of the campus.

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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