

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 7, 2015

TO: Honorable John Zerwas, Chair, House Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB700** by Giddings (Relating to the repeal of the Texas B-On-time student loan program.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB700, Committee Report 1st House, Substituted: an impact of \$0 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, Ten-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0
2025	\$0

All Funds, Ten-Year Impact:

Fiscal Year	Probable Revenue (Loss) from Texas B-on-Time Student Loan Acct 5103	Probable Revenue Gain from Higher Education- Institutional Funds
2016	(\$58,574,084)	\$58,574,084
2017	(\$58,574,084)	\$58,574,084
2018	(\$58,574,084)	\$58,574,084
2019	(\$58,574,084)	\$58,574,084
2020	(\$58,574,084)	\$58,574,084
2021	(\$123,898,142)	\$123,898,142
2022	\$0	\$58,574,084
2023	\$0	\$58,574,084
2024	\$0	\$58,574,084
2025	\$0	\$58,574,084

Fiscal Analysis

The bill would repeal the B-On-Time student loan program effective September 1, 2015. The bill would abolish the B-On-Time Student Loan Account effective September 1, 2020 (fiscal year 2021) and the remaining funds in the account would be appropriated to eligible public institutions in accordance with a formula adopted by Board rule. The bill would change the percentage of designated tuition an institution is required to set aside for financial assistance from 20 percent to 15 percent. Under current law, 5 percent of the 20 percent set aside is deposited in the B-On-Time Student Loan Account. The bill would eliminate this requirement. Under provisions of the bill, the B-On-Time program is also continued to discharge any other remaining obligations under the former Texas B-on-Time student loan program.

Methodology

Currently the B-On-Time program for public institutions is supported by a five percent designated tuition set aside and supports students attending public institutions of higher education. The designated tuition set asides are deposited in the B-On-Time Student Loan Account 5103. Historically the State has appropriated General Revenue to support students attending private institutions of higher education for the B-On-Time program.

For purposes of this fiscal note it is assumed that current practice would continue and the State would support renewal awards for students attending private institutions of higher education. Based on estimates provided by the Higher Education Coordinating Board (Board), there would be 1,850 loans for renewal students attending private institutions in fiscal year 2016 and the number of loans would decrease to 1,457 in fiscal year 2017 and 871 in fiscal year 2018. Funding for these students is estimated to be \$11.1 million in fiscal year 2016, \$9.2 million in fiscal year 2017 and \$5.9 million in fiscal year 2018.

It is also assumed that the State would support renewal awards for students attending public institutions of higher education. Based on estimates provided by the Board, there would be 5,549 loans for renewal students attending public institutions in fiscal year 2016 and the number of loans would decrease to 4,110 in fiscal year 2017 and 2,860 in fiscal year 2018. Funding for these students is estimated to be \$35.6 million in fiscal year 2016, \$27.8 million in fiscal year 2017 and \$20.1 million in fiscal year 2018. The Board estimates that \$148.8 million in unappropriated tuition set asides will be available in the B-On-Time Student Loan Account 5103 as of August 31, 2015. As a result, \$65.3 million would remain in the B-On-Time Student Account 5103, when the

account is abolished in fiscal year 2021. These funds would be allocated to the public institutions by the Board as shown as a revenue gain in Institutional Funds in the table above.

The institutions of higher education would also have an increase in Institutional Funds connected to the lowering of the designated tuition set aside amount from 20 percent to 15 percent. In fiscal year 2014, the Board estimates that \$58.6 million in tuition set asides was deposited in the B-On-Time Student Loan Account. These funds are shown as a revenue gain in Institutional funds and a corresponding revenue loss to the B-On-Time Student Loan Account 5103 in the table above beginning in fiscal year 2016. The revenue loss to the B-On-Time Account would end in fiscal year 2021, when the account is abolished.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 710 Texas A&M University System Administrative and General Offices, 758 Texas State University System, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 720 The University of Texas System Administration, 768 Texas Tech University System Administration, 769 University of North Texas System Administration

LBB Staff: UP, EMu, DEH, GO