

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 24, 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB700, As Introduced: 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 | \$0 | \$0 |
| 2017 | \$0 | \$0 |
| 2018 | \$0 | \$0 |
| 2019 | \$0 | \$0 |
| 2020 | \$0 | \$0 |
| 2021 | (\$46,150,305) | \$46,150,305 |
| 2022 | \$0 | \$0 |
| 2023 | \$0 | \$0 |
| 2024 | \$0 | \$0 |
| 2025 | \$0 | \$0 |

Fiscal Analysis

The bill would repeal the B-On-Time student loan program effective September 1, 2015 but would allow the program to continue for certain academic years only. Under provisions of the bill, the Higher Education Coordinating Board (Board) may award an initial Texas B-On-Time student loan to an eligible student attending a public institution for the 2015-2016 academic year only (fiscal year 2016) and may award, for a semester or term occurring before the 2020 fall semester, a subsequent Texas B-On-time student loan to an eligible student who received an initial Texas B-On-time student loan before the 2016-2017 academic year. 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. 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 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 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.

For purposes of this fiscal note it is assumed that the Higher Education Coordinating Board would award initial awards in fiscal year 2016 for students attending public institutions and these students would receive awards for four years, until fiscal year 2019. Based on information provided by the Board the number of initial and renewal B-On-Time loans at public institutions of higher education is estimated to be 6,199 in fiscal year 2016, 4,760 in fiscal year 2017, 3,510 in fiscal year 2018 and 650 in fiscal year 2018 as students are phased out of the program. Funding

for these students would be \$40.2 million in fiscal year 2016, \$32.5 million in fiscal year 2017, \$25.0 million in fiscal year 2018 and \$5.0 million in fiscal year 2019. The total funding amount for these four years is estimated to be \$102.7 million. 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, \$46.1 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.

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, 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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