

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:** **HB3027** by Zerwas (Relating to the establishment of the Texas Competency-Based Education Grant Program for certain students enrolled in competency-based online or other distance education baccalaureate degree programs at certain private institutions of higher education.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3027, As Introduced: a negative impact of (\$27,989,660) through the biennium ending August 31, 2017.

HB 3027 takes effect in the second year of the biennium; accordingly, there is an estimated negative impact to General Revenue Related funds of (\$68,091,525) through the biennium ending August 31, 2019.

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	\$0
2017	(\$27,989,660)
2018	(\$31,752,390)
2019	(\$36,339,135)
2020	(\$41,949,175)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2016	\$0
2017	(\$27,989,660)
2018	(\$31,752,390)
2019	(\$36,339,135)
2020	(\$41,949,175)

## **Fiscal Analysis**

The bill would establish a Texas Competency-Based Education Grant Program for certain students enrolled in competency-based online or other distance education baccalaureate degree programs at certain private institutions of higher education. The program would be administered by the Higher Education Coordinating Board (Board). The bill includes specific eligibility requirements for a student to qualify under the program including a financial need requirement that the person's expected family contribution for the academic year does not exceed the maximum expected family contribution as established by the Board. Under provisions of the bill, the maximum annual amount of a grant under the program for a full-time undergraduate student equivalent enrolled at an eligible institution is an amount equal to 75 percent of the average state appropriation for the state fiscal biennium preceding the biennium in which the grant is awarded for a full-time undergraduate student equivalent enrolled at a general academic teaching institution, as determined by the Board. Under provisions of the bill, the Board may not award grants before the 2016-17 academic year (fiscal year 2017).

## **Methodology**

Based on information reported to the Higher Education Coordinating Board (Board) by private non-profit institutions in a survey in 2014, 26,825 students had an estimated family contribution of \$4,800 or less and would satisfy the financial need criteria established in the bill. The Board applied a percentage growth increase of 3.5 percent to this amount based on previous responses to this survey going back to 2009. As a result, the number of students in fiscal year 2015 would be 27,768. The number of students in fiscal year 2016 and 2017 would be 28,744 and 29,755 respectively and would continue to increase to 33,005 by fiscal year 2020. The Board assumes ten percent of these students would be enrolled fulltime in an online distance learning program. As a result, it is estimated 2,874 students would qualify in fiscal year 2016 and 2,975 would qualify in fiscal year 2017.

Based on information included in the Western Governor's University (WGU) annual report, the total number of students enrolled in WGU in 2014 was 4,400. The Board estimates that 30 percent of these students, or 1,320, would satisfy the financial need requirements in fiscal year 2014 based on information the Board received from WGU on Pell eligibility. The Board applied a percentage growth increase of 25 percent per year based on information in the annual report. As a result, the estimated number of students that would be eligible in fiscal year 2015 would be 1,649. The number of eligible students in fiscal year 2016 and 2017 would be 2,060 and 2,573, respectively, and would continue to increase to 5,015 by fiscal year 2020.

To calculate the award amount, the Board used the maximum Tuition Equalization Grant amount of \$6,727 and applied a percentage of 75 percent as provided by the bill, which results in an award amount of \$5,045.

Under provisions of the bill, the Board would first award grants in fiscal year 2017. Based on projections for fiscal year 2017, it is estimated that 5,548 students would receive an award amount of \$5,045 at a cost of \$27,989,660. By fiscal year 2020, it is estimated 8,315 students would receive the award amount of \$5,045 at a cost of \$41,949,175.

## **Local Government Impact**

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

**Source Agencies:** 781 Higher Education Coordinating Board  
**LBB Staff:** UP, EMu, DEH, GO