

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 7, 2017

TO: Honorable J. M. Lozano, Chair, House Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1241 by Giddings (Relating to outcomes-based funding for general academic teaching institutions.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1241, As Introduced: a negative impact of (\$331,302,437) 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
2018	(\$165,613,558)
2019	(\$165,688,879)
2020	(\$173,094,860)
2021	(\$173,111,598)
2022	(\$182,275,637)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Est. Other Educational & General</i> 770
2018	(\$165,613,558)	(\$10,417,508)
2019	(\$165,688,879)	(\$10,426,667)
2020	(\$173,094,860)	(\$10,444,987)
2021	(\$173,111,598)	(\$10,447,022)
2022	(\$182,275,637)	(\$10,443,969)

Fiscal Analysis

The bill would amend the Education Code relating to outcomes-based funding for general academic teaching institutions. The bill would provide an additional funding formula to be distributed by the Texas Higher Education Coordinating Board (THECB) that would award funds to institutions based on the average number of bachelor's degrees awarded by institutions

annually in the three most recent academic years. Under provisions of the bill, distributions of funds under a state fiscal biennium could occur only if the Instruction and Operations Formula (I&O Formula) for all general academic teaching institutions under that biennium is funded at a level per weighted semester credit hour that is equal or greater to the preceding biennium as adjusted for inflation.

The bill would take immediate effect if it receives a two-thirds vote of all members of each house. Otherwise, the bill would take effect September 1, 2017.

Methodology

The bill would provide \$500 for each bachelor's degree awarded to a student who is not at risk and \$1,000 for each bachelor's degree for at-risk students. According to THECB, the average number of undergraduate degrees awarded by general academic institutions in fiscal years 2013, 2014, and 2015 was 31,417 for not at-risk students. Additionally, THECB notes for the same period the number of at-risk graduates as defined by the bill was approximately 63,718. This analysis assumes growth in the number of degrees for both at-risk and not at-risk students using THECB's enrollment projections.

This estimate also assumes funding cost of enrollment growth in the general academic institution Instruction and Operations Formula. As enrollment increases from one biennium to the next so do the weighted semester credit hours in the I&O Formula. As weighted semester credit hours increase additional funding is required to provide the same weighted semester credit hour rate in the formula. House Bill 1 as Introduced provides the same rate per weighted semester credit hour as 2016-17. This estimate assumes the same cost of enrollment growth per year as that provided in the 2016-17 biennium from the 2014-15 biennium. Enrollment growth in 2016-17 was an additional \$83.7 million per year in General Revenue and \$10.2 million annually in General Revenue-Dedicated. This estimate assumes increases in the cost of enrollment growth from projected increases in the United States Consumer Price Index from the Comptroller's Office.

The University of Texas System noted in its response that the bill could provide in excess of \$40 million in additional formula funding each biennium across its component institutions. Additionally, the University of Houston System responded that the bill could result in an increase of more than \$17 million in additional formula funding for its institutions. The University of North Texas System indicated that the bill could provide in excess of \$2 million annually between the University of North Texas and the University of North Texas at Dallas.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 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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