

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 16, 2019**

**TO:** Honorable Chris Turner, Chair, House Committee on Higher Education

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB998** by Cortez (Relating to the establishment of the Texas Promise Scholarship Program for certain students at participating two-year public institutions of higher education.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB998, As Introduced: a negative impact of (\$80,989,683) through the biennium ending August 31, 2021.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2020	(\$52,719)
2021	(\$80,936,964)
2022	(\$144,010,559)
2023	(\$193,818,388)
2024	(\$199,631,081)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund</b>
2020	(\$52,719)
2021	(\$80,936,964)
2022	(\$144,010,559)
2023	(\$193,818,388)
2024	(\$199,631,081)

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2019</b>
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2020	0.5
2021	1.0
2022	1.0
2023	1.0
2024	1.0

**Fiscal Analysis**

The bill relates to the establishment of the Texas Promise Scholarship Program for certain students at participating two-year public institutions of higher education. Under provisions of the bill, it is an optional program under which participating two-year institutions of higher education may provide assistance in the payment of tuition and mandatory fees to enable students to attend those institutions. The Higher Education Coordinating Board (Board) would administer the program and an eligible institution may elect to participate in the program by notifying the Board of the institution's election. Each participating institution shall award scholarships to eligible students under the program. The scholarship amount may not exceed the difference between the amount of tuition and mandatory fees charged to the student by the institution for that semester or term and the amount of any other gift aid, including state or federal grants or scholarships, awarded to the student for that semester or term. The bill includes eligibility requirements including being a resident of the state, enrolling for at least one-half of a full course load, meeting financial aid requirements and being enrolled in an associate degree or certifying program. Under provisions of the bill, a person's eligibility for a scholarship under the program ends on the third anniversary of the initial award. Under provisions of the bill, an institution may not award scholarships prior to the 2020-21 academic year (fiscal year 2021).

**Methodology**

While the bill does not explicitly provide that the state would reimburse institutions for the costs of the scholarships, this analysis presumes that the state would do so. The Higher Education Coordinating Board assumed that all public two-years institutions would elect to participate in the program. Using fiscal year 2018 data, the Higher Education Coordinating Board (Board) calculated the number of eligible students enrolled in public two-year institutions and the total amount of their tuition and fee charges not covered by gift aid to determine the average award amount and percentage attributed to students attending each type of two-year institution (community college, state college, or technical institution). The Board applied these same percentages to estimate the number of eligible students and award amounts beginning with fiscal year 2021, the first year of scholarship availability.

In fiscal year 2018, Board data shows that the total number of first-time, entering students (residents), enrolled at least half time and who received financial aid at a public two-year institution of higher education was 97,849. Of this amount, 46,379, still owed a portion of their tuition and fee charges after receipt of gift aid. The majority of these students, 97 percent, attended community colleges with the remaining students attending state colleges and Texas State Technical Colleges. The Board estimates that the average scholarship award for students attending community colleges would be \$1,798. The average scholarship award for students attending state colleges and Texas State Technical Colleges is \$3,767 and \$2,724 respectively.

Based on the average graduation and persistence rate for financial aid recipients attending public two-year institutions, the Board estimated that 25% of eligible students would either graduate or lose eligibility after the first year, and applied this same percentage to each year thereafter. This estimate is based on the assumption that a new cohort of eligible students would enroll through fiscal year 2024 and follow the same enrollment patterns as the fiscal year 2021 cohort.

Based on these assumptions, and applying the same growth rate to achieve the goals of 60x30TX (3 percent), the Board estimates that 50,680 students would be eligible for the scholarship in fiscal year 2021 at an estimated cost of \$80.9 million. In fiscal year 2021, the costs increase to \$143.9 million as another cohort is added to the program.

The Higher Education Coordinating Board indicates they would need to add a 0.5 FTE Program Specialist III in fiscal year 2020 to set up the new program at a total cost for salaries and benefits of \$29,982. Beginning in fiscal year 2021, the Higher Education Coordinating Board indicates that they would need an additional 0.5 FTE Accountant II to administer the program at a total cost for salaries and benefits of \$53,516 per year. Technology and other costs for the new program range from \$22,737 in fiscal year 2020 to \$8,500 in subsequent years.

### **Local Government Impact**

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

**Source Agencies:** 701 Texas Education Agency, 781 Higher Education Coordinating Board, 980 Southwest Texas Junior College, 985 Tyler Junior College

**LBB Staff:** WP, JGAn, DEH, GO