

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 2, 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: HB3657 by Turner, Chris (Relating to the establishment of the Texas Competency-Based Education Grant Program for certain students enrolled in competency-based baccalaureate degree programs and to formula funding and dropped and repeated course restrictions for students enrolled in those degree programs at public institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3657, As Introduced: a negative impact of (\$13,965,224) 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$52,270)
2021	(\$13,912,954)
2022	(\$24,707,820)
2023	(\$33,235,561)
2024	(\$40,072,043)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund
	1
2020	(\$52,270)
2021	(\$13,912,954)
2022	(\$24,707,820)
2023	(\$33,235,561)
2024	(\$40,072,043)

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

Fiscal Analysis

The bill would establish the Texas Competency Based Education Grant Program for certain students enrolled in competency-based baccalaureate degree programs at eligible institutions of higher education. The program would be administered by the Higher Education Coordinating Board (Board). Under the 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 appropriations 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 2020-21 academic year (fiscal year 2021).

The bill would amend Education Code as it relates to formula funding and dropped and repeated course restrictions for students enrolled in competency-based baccalaureate degree programs at public institutions of higher education.

Methodology

The Higher Education Coordinating Board indicates that the Estimated Family Contribution (EFC) maximum for the Competency Based Education (CBE) grant program would be in line with the priority EFC for TEXAS Grant, which is very close to the Pell EFC maximum. As a result, the Pell EFC (\$5,430) would be used to calculate the number of students in CBE programs at institutions of higher education or private or independent institutions of higher education, who would have met the eligibility criteria in fiscal year 2017, and the number of Pell recipients is used to calculate the number of Western Governor's University (WGU) students who would qualify for the CBE grant in fiscal year 2017.

Based on data from the fiscal year 2018 Financial Aid Database System, the Board determined that 225 eligible Texas students enrolled in a competency-based baccalaureate degree program at an eligible institution of higher education and had an expected family contribution of less than or equal to \$5,430 (maximum Pell amount). The Board reports that according to fiscal year 2017 data, WGU reported 70 percent of their undergraduates received financial aid; of these, 30 percent received Pell, for a total of 2,172 students.

The percentage of students eligible for the program in fiscal year 2017 at WGU vs. other institutions was used to estimate the number of eligible students attending CBE programs beginning with fiscal year 2021, the first year of grant availability. The Board applied a growth rate of three percent to the number of first-time entering students who would be eligible for a grant program. Based on these assumptions, the Board estimated 2,699 students would qualify in fiscal year 2021, 2,780 in fiscal year 2022, 2,863 in fiscal year 2023, and 2,949 in fiscal year 2024.

Based on the average graduation and persistence rate for financial aid recipients attending public

two-year and four-year institutions, the Board estimated that 25 percent 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. The Board utilized the data from the Tuition Equalization Grant (TEG) maximum award calculation, using 75% of the average state appropriations per the CBE grant award statutory language, which resulted in a maximum award amount of \$5,130.

Based on these assumptions the Board estimated that in fiscal year 2,699 students would receive a grant in fiscal year 2021, resulting in a total cost of \$13.8 million and 4,804 students (2,780 second-year recipients and 2,024 first-time entering students in fiscal year 2022) would receive grants in fiscal year 2022 at a total cost of \$24.6 million. The costs associated with program would increase in subsequent years as additional cohorts are 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 it would also need an additional 0.5 FTE Accountant II to administer the program at a total cost for salaries and benefits of \$23,534 per year. Technology and other costs for the new program range from \$22,044 in fiscal year 2020 to \$13,455 in subsequent years.

This estimate assumes any impact to formula funding would not be significant. Additionally, any impact would not be seen until fiscal year 2022 as formula funding is provided to institutions based on student data prior to the biennium that will be funded. As such formula funding in fiscal year 2020 and fiscal year 2021 will be based on students that are enrolled during fiscal year 2019.

Local Government Impact

No significant 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, 980 Southwest Texas Junior College, 985 Tyler Junior College, 996 Lone Star College System

LBB Staff: WP, JGAn, DEH, GO