

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 2, 2019

TO: Honorable Brandon Creighton, Chair, Senate Committee on Higher Education

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

IN RE: SB882 by Menéndez (Relating to the establishment of the Texas First Generation Matching Scholarship Program for certain first generation students at public institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB882, As Introduced: a negative impact of (\$272,037,719) 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	(\$52,719)
2021	(\$271,985,000)
2022	(\$484,076,062)
2023	(\$651,550,376)
2024	(\$756,413,019)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2020	(\$52,719)
2021	(\$271,985,000)
2022	(\$484,076,062)
2023	(\$651,550,376)
2024	(\$756,413,019)

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

Fiscal Analysis

The bill would establish the Texas First Generation Matching Scholarship Program for certain first generation students at public institutions of higher education. The program would be administered by the Higher Education Coordinating Board. Under provisions of the bill, the scholarship awarded under the program may be applied only to the payment of tuition and required fees at an institution of higher education and would require that an institution that awards a scholarship under the program is responsible for two-thirds of the total amount of the scholarship. Under provisions of the bill, an institution may not award scholarships for an academic year before the 2020-21 academic year.

Methodology

Although the Higher Education Coordinating Board (Board) reports that it does not collect the data necessary to identify students as meeting the proposed bill's definition of first-generation student, the agency reviewed responses in the Federal Application for Federal Student Aid (FAFSA) to derive an estimate on the potential impact of the bill. The Board reviewed FAFSA questions that asked students to indicate the "highest school completed by Parent 1" (and 2). The Board also examined answers that were marked "Other/unknown", which were added to their estimate. The Board reports that in recent years, as many as 23 percent of students answered "unknown" on the FAFSA question regarding their parents' education. The Board, using fiscal year 2018 data, calculated the number of eligible students enrolled in public two-year and four-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 of all students attributed to students attending each type of institution. The Board then applied these same percentages to estimate the number of eligible students and award amounts (based on the maximum grant award amounts) beginning with fiscal year 2021, the first year of grant availability.

The Board reports that data for fiscal year 2018 shows that the total number of residents, enrolled at least part time, completed a FAFSA/TASFA, working on a degree or certificate, was 733,192. Of these, 382,635 answered that their parents highest level of education completed was either "middle school/Jr. high," "high school," or "other/unknown." A total of 201,363 of these students also demonstrated need based on the statutory definition included in the bill. The Board applied a growth rate of three percent to the number of first-time entering, first-generation students who would be eligible for a grant. Based on these assumptions, the Board estimates that 220,035 students would be eligible in fiscal year 2021, 226,636 in fiscal year 2020, 233,435 in Fiscal year 2021, and 240,438 in fiscal year 2023.

Based on the average graduation and persistence rate for financial aid recipients attending public two-year and four-year institutions, the Board estimates 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 estimates that the number of students receiving a grant in fiscal year 2021 would be 220,035 (first time entering students), and 391,662 in fiscal year 2022, which would include 165,026 second-year recipients and 226,636 first-time entering students. The number of

students would increase in subsequent years as additional cohorts are added to the program.

Under provisions of the bill, institutions are required to cover two-thirds of the cost of the scholarship. As a result, the Board estimates that the tuition and fees covered by the grant through the program would be approximately \$1,817 for four year institutions and \$629 for the community colleges. The Board estimates that approximately 50 percent of the first generation students would attend four year institutions and 48 percent would attend community colleges. The remaining two percent would attend state and technical colleges and health-related institutions.

Based on these assumptions, the Board estimates that of the 220,035 estimated students in fiscal year 2020, 110,256 will attend four year institutions at a cost of \$200.3 million and 105,078 students will attend community colleges at a cost of \$66.1 million, The remaining students attending state and technical colleges and health related institutions would result in a cost of \$5.5 million. The costs in subsequent years would increase as new 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 only 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 \$13,000 in fiscal year 2020 to \$8,500 in subsequent years.

Several university system offices, on behalf of their component institutions, reported that the cost associated with matching the scholarship amount would be significant. The University of Texas System reported costs to their institutions of \$51.4 million in fiscal year 2020 which would increase to \$76.2 million by fiscal year 2024.

Local Government Impact

There would be a significant impact to community colleges, as detailed above.

Source Agencies: 304 Comptroller of Public Accounts, 701 Texas Education Agency, 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