

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

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**April 20, 2021**

**TO:** Honorable Jim Murphy, Chair, House Committee on Higher Education

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB3931** by Raney (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 HB3931, As Introduced : a negative impact of (\$23,622,023) through the biennium ending August 31, 2023.

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:**

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$51,004)
2023	(\$23,571,019)
2024	(\$41,928,331)
2025	(\$56,423,546)
2026	(\$68,044,007)

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

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$51,004)	0.5
2023	(\$23,571,019)	0.5
2024	(\$41,928,331)	0.5
2025	(\$56,423,546)	0.5
2026	(\$68,044,007)	0.5

**Fiscal Analysis**

The bill would establish the Texas Competency-Based Education (CBE) Grant Program at the Higher Education Coordinating Board. The program would provide financial assistance to enable eligible students to enroll in competency-based baccalaureate degree programs at eligible institutions. Under provisions of the bill, eligible institutions would include (A), a general academic teaching institution, (B), a private or independent institution of higher education, (C), a public junior college authorized to offer baccalaureate degree programs or (D), a nonprofit, tax-exempt, regionally accredited college or university operating in accordance with a memorandum

of understanding with this state under an executive order issued by the governor and offering competency-based, exclusively online baccalaureate degree programs. Under provisions of the bill, after initially qualifying for a grant under the program, a person may continue to receive a grant under the program during each semester or term in which the person is enrolled at an eligible institution if certain eligibility requirements are maintained. The bill would require Higher Education Coordinating Board to begin allocating funds to eligible institutions beginning with the 2022-23 academic year (fiscal year 2023).

The bill would amend Education Code provisions relating 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**

Based on information provided by the Higher Education Coordinating Board, the fiscal year 2019 Pell Estimated Family Contribution (EFC) maximum of \$5,486 was used to calculate the number of students in Competency Based Education (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 2019. The agency also used the number of Pell recipients to calculate the number of Western Governor's University (WGU) students who would qualify for the CBE grant in fiscal year 2019. The Higher Education Coordinating Board reports that based on data from the fiscal year 2019 Financial Aid Database System, 526 eligible Texas students enrolled in a competency-based program at an eligible institution of higher education and had an expected family contribution of less than or equal to the Pell EFC maximum. The agency reports that based on fiscal year 2019 IPEDS data, WGU reported 34 percent of its undergraduate students receiving Pell. Using WGU Texas enrollment numbers, the agency estimates that 3,460 students received Pell. The Higher Education Coordinating Board factored in a 3 percent enrollment growth to project the number of eligible students for the program. Based on these projections, a total of 4,486 students would be eligible to receive a grant beginning in fiscal year 2023. The agency used the maximum award under the Tuition Equalization Grant Program (TEG), \$5,246, due to the similarities in the grant amount calculations between the TEG program and CBE for the award amount for the new program. Based on these assumptions, the estimated costs for the grants under the new program is \$23.5 million in fiscal year 2023. The costs for the new program would increase, beginning in fiscal year 2024, as new cohorts of students are added to the program. The Higher Education Coordinating Board estimates that 75 percent of students that receive an initial grant would continue to receive a grant. The agency reports that the number of students attending public junior colleges that are authorized to offer baccalaureate degree programs is not considered significant.

The agency reports that they would need an additional 0.5 FTE for an Accountant II for administration of the new program. The total costs for salaries and benefits total \$29,154 beginning in fiscal year 2022. Other costs, including one-time technology costs, total \$21,850, in fiscal year 2022 and \$6,850 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 2024 as formula funding is provided to institutions based on student data prior to the biennium that will be funded.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 710 Texas A&M Univ System Admin, 720 UT Sys Admin, 758 Texas State University System, 768 Texas Tech Univ Sys Admin, 781 Higher Education Coordinating Board, 783 Univ of Houston Sys Admin, 978 San Jacinto College

**LBB Staff:** JMc, LBO, JSM, GO