

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

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**March 29, 2023**

**TO:** Honorable John Kuempel, Chair, House Committee on Higher Education

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

**IN RE: HB4005** 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 HB4005, As Introduced : a negative impact of (\$2,686,224) through the biennium ending August 31, 2025.

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>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2024	(\$54,622)
2025	(\$2,631,602)
2026	(\$4,651,207)
2027	(\$6,245,918)
2028	(\$7,524,359)

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

<i>Fiscal Year</i>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>	<b>Change in Number of State Employees from FY 2021</b>
2024	(\$54,622)	0.5
2025	(\$2,631,602)	0.5
2026	(\$4,651,207)	0.5
2027	(\$6,245,918)	0.5
2028	(\$7,524,359)	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. Under provisions of the bill, the amount of a grant awarded under the program to a full-time undergraduate student equivalent enrolled at an eligible institution for an academic year may not exceed the lesser of: (1) the difference between the amount of tuition and required fees charged to the student by the institution for that academic year and the amount of any other gift aid, including state or federal grants or scholarships, awarded to the student for that academic year; or (2) \$500. The bill would require the Higher Education Coordinating Board to allocate funds to eligible institutions beginning with the 2024-25 academic year (fiscal year 2025).

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**

To calculate the costs for the new program for the 2024-25 biennium, the Higher Education Coordinating Board established an Estimated Family Contribution (EFC) maximum for the CBE grant in line with the priority EFC for TEXAS Grant and TEOG, which is very close to the Pell EFC maximum. The Pell EFC (\$6,047) was 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 2021, and the number of Pell recipients was used to calculate the number of Western Governor's University (WGU) students who would qualify for the CBE grant in fiscal year 2021.

The Higher Education Coordinating Board used data from the fiscal year 2021 Financial Aid Database System and the 2021 enrollment for WGU to determine the number of eligible students enrolled in CBE programs beginning of the first year of grant availability. The funding is based on applying a growth rate of 3%, along with the average graduation and persistence rate for financial aid recipients attending public two-year and four-year institutions. The Higher Education Coordinating Board estimated that 25% of eligible students would either graduate or lose eligibility after the first year, and it applied this same percentage to each year thereafter. The Higher Education Coordinating Board calculated awards for each cohort-year and multiplied by the average tuition and fees or \$500 (whichever is lesser) for four academic years.

Based on these projections, a total number of 5,178 students would be eligible to receive a grant beginning in fiscal year 2025. For purposes of this fiscal note it is assumed the award amount for program would be \$500. Based on these assumptions, the estimated costs for the grants under the new program is \$2.6 million in fiscal year 2025. The costs for the new program would increase beginning in fiscal year 2026, as new cohorts of students are added to the program.

The agency reports that it would need an additional 0.5 FTE for a Program Specialist I for administration of the new program. The total costs for salaries and benefits total \$32,287 beginning in fiscal year 2024. Other costs, including one-time technology costs, total \$22,335, in fiscal year 2024 and \$9,335 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 2026 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 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, 978 San Jacinto College

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