

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 24, 2017**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2994** by Ashby (Relating to workforce continuing education offered by public junior colleges.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2994, As Passed 2nd House: a negative impact of (\$300,000) through the biennium ending August 31, 2019. There is an impact of \$0 through the biennium ending August 31, 2019 for the formula funding provisions of the bill.

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> |
|--------------------|---|
| 2018               | (\$200,000)   |
| 2019               | (\$100,000)   |
| 2020               | (\$14,115,711)  |
| 2021               | (\$14,614,461)  |
| 2022               | (\$15,113,211)  |

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

| <b>Fiscal Year</b> | <b>Probable (Cost) from General Revenue Fund<br/>1</b> |
|--------------------|--|
| 2018               | (\$200,000)  |
| 2019               | (\$100,000)  |
| 2020               | (\$14,115,711)   |
| 2021               | (\$14,614,461)   |
| 2022               | (\$15,113,211)   |

| <b>Fiscal Year</b> | <b>Change in Number of State Employees from FY 2017</b> |
|--------------------|---|
| 2018               | 1.0   |
| 2019               | 1.0   |
| 2020               | 1.0   |
| 2021               | 1.0   |
| 2022               | 1.0   |

## **Fiscal Analysis**

The bill would amend the Education Code to allow contact hours attributable to the enrollment of a student in a workforce continuing education course to be included in formula funding. Currently, these hours are not included in formula funding. This assumed cost to General Revenue would not be seen until at least fiscal year 2020, as formula funding is provided to institutions based on student data prior to the biennium to be funded. Under the provisions of the bill, contact hours earned by students in workforce continuing education courses would be eligible for formula funding regardless of whether tuition and fees were wholly or partially waived.

The bill would also amend the Education Code to allow a public community college to waive all or part of the tuition and fees charged for a workforce continuing education course for certain students, if all or a portion of the costs are covered by local entities, or if the course is taught in a federal correctional facility. The contact hours earned by students whose tuition and fees are waived would be eligible for formula funding.

The bill would require the Higher Education Coordinating Board (THECB) to establish and administer a grant program to encourage faculty at institutions of higher education to adopt and develop courses that use only open educational resources. Under the program, a faculty member of an institution of higher education could apply to the Board for a grant to adopt, modify or redesign a course at the institution to exclusively use open educational resources. Under provisions of the bill, the Board may not award a grant under the program to a faculty member of a postsecondary educational institution other than an institution of higher education. The Board would submit a report regarding the program to the governor, lieutenant governor, speaker of the house of representatives, and each standing legislative committee with primary jurisdiction over higher education by December 1 of each even-numbered year.

Under provisions of the bill, THECB may not use appropriated funds in an amount greater than \$200,000 for purposes of the program in the state fiscal biennium ending August 31, 2019. THECB may use any amount of other funds available for those purposes. This section would expire December 1, 2019.

The bill would require THECB, in collaboration with the Texas Education Agency, public institutions of higher education and school districts, to conduct a study to determine the feasibility of creating a state repository of open educational resources. The study would have to include: 1) methods for facilitating public access to open educational resources, 2) the resources needed to create the repository, and 3) any potential challenges in creating the repository. THECB would submit the report regarding the results of the study to the Governor, Lieutenant Governor, Speaker of the House of Representatives, and each standing legislative committee with primary jurisdiction over higher education by September 1, 2019.

Under provisions of the bill, THECB may not use appropriated funds in an amount greater than

\$100,000 for purposes of the study. THECB may use any amount of other available funds for the purposes of the study and may solicit gifts, grants and donations for that purpose.

## **Methodology**

The Texas Higher Education Coordinating Board (THECB) estimates an additional 1.6 million contact hours per semester would be eligible for formula funding. Applying the current annual contact hour rate of \$2.69 to the semesters that continuing education courses are offered results in an estimated annual formula cost of \$13.0 million in General Revenue.

The costs associated with the new program and study are limited to \$300,000 for the 2018-19 biennium as reflected in the tables above. These funding limitations will expire in fiscal year 2019. Beginning in fiscal year 2020, it is assumed that grant awards would increase. Based on information provided by THECB regarding similar open educational resources programs in other states, it is assumed that the award amount under the new program would be \$2,500 per fiscal year. It is also assumed that six faculty at each participating public higher education institution would receive an award. Beginning in fiscal year 2020, it is estimated that 50 percent of the 133 eligible public institutions would participate in the program and the faculty at these institutions would receive grants totaling \$997,500. In fiscal year 2021, it is assumed that participation in the program would increase to 75 percent and the cost of the program would increase to \$1,495,250. By fiscal year 2022, it is assumed that 100 percent of eligible institutions would participate in the program at a total cost of \$1,995,000.

Administrative costs for THECB associated with the new program are estimated to be \$60,980 for salaries, wages and benefits for 1 FTE, and \$18,255 in other costs beginning in fiscal year 2018.

## **Local Government Impact**

This analysis assumes that the increased contact hours available for funding under the provisions of the bill could result in an increase in formula funding. However, without knowing which programs would be offered under the expanded definition for potential students, these fiscal implications of the bill are unknown at this time.

**Source Agencies:** 781 Higher Education Coordinating Board

**LBB Staff:** UP, ESC, GO, THo, DEH