

BILL ANALYSIS

C.S.H.B. 3015
By: Morrison
Higher Education
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The current system used to set tuition in Texas does not provide sufficient pricing options for the array of services an institution may offer nor does it lend itself to providing incentives for students to make efficient use of their time and state resources. It mandates the same basic rate across the state regardless of the circumstances of the individual student and unique needs of university campuses. With tuition flexibility, universities would be able to use flexible rates as a means to achieve strategic goals, such as improved graduation rates, better use of facilities, and improvement of academic programs.

The Need

! In times of economic difficulty, the challenge is to make the highest and best use of existing assets and resources. Flexibility would permit maintenance of current services during times such as these.

! The current tuition structure does not allow universities to use tuition policy to improve enrollment management. For example, universities cannot provide incentives for students to take higher course loads by using flat rates for full-time students, or lower summer rates to encourage students to take courses at that time.

! The current tuition structure while too rigid in part can also be confusing.

! Under current budget constraints, flexibility is necessary to meet growing demands and shrinking resources.

The Advantages

! Allows tuition to be set according to local conditions and needs.

! Allows the simplification and consolidation of tuition and fees.

! Provides a source of revenue to maintain the quality of services provided to students.

Key Elements of Tuition Flexibility

Community and Campus Responsiveness – Responds to student characteristics and needs at various campuses, rather than having one statewide rate.

Affordability - CSHB 3015 provides that a minimum of 15% of the designated tuition increases be set aside for non-loan tuition assistance to resident undergraduate students. The financial assistance provided under this section will be in the form of grants, scholarships and work-study programs.

Recipients for assistance under CSHB 3015 will be prioritized according to needs not currently being met by other programs. The TEXAS Grant Program currently provides financial assistance to most students coming from lower income families. Resident undergraduate students whose tuition and fees are not already met by other non-loan assistance programs will receive priority for the assistance provided under CSHB 3015. Students coming from middle income families whose tuition and fees are not already covered by other non-loan financial assistance will receive this additional assistance to help offset the costs of tuition increases.

CSHB 3015 also provides a minimum of 3% of the designated tuition increases be set aside for non-loan assistance to non-resident undergraduate students. The financial assistance provided under this section will be in the form of grant, scholarship and work-study programs.

Enrollment Management – Allows a mechanism for enrollment management, encouraging students to take greater course loads and complete degrees more quickly. Because more students can be educated each year, this would result in a more efficient use of facilities and other resources. Earlier graduation reduces a student's overall cost of education.

Potential Student Discounts – Allows the flexibility to set tuition rates (including selected discounted rates) that vary among campuses; among academic programs; among classes offered at different times; and among various types of courses (traditional, inter-session, or online). This flexibility would enable a better reflection of the costs of various services.

Market Driven – Allows flexibility with respect to institutional charges for nonresident, graduate and professional students.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 3 (Section 56.011 and 56.012, Education Code) of this bill.

ANALYSIS

CSHB 3015 amends Section 54.0513, Education Code, to eliminate the provision that redesignates the building use fee previously authorized by Section 55.16, Education Code, as tuition. The bill provides that this section is retitled Designated Tuition. The bill provides that in addition to amounts that a governing board of an institution of higher education is authorized to charge, the governing board is authorized to charge an amount designated as tuition, rather than just tuition, in an academic year an amount not to exceed the amount charged under Sections 54.051 or 54.0512, as applicable, in that academic year.

CSHB 3015 provides that in addition to the amounts authorized by Subsection (a), the governing board of an institution of higher education may charge a resident undergraduate student an additional amount designated as tuition for the 2003-2004 academic year, an amount not to exceed \$23 per semester credit hour, for the 2004-2005 academic year, an amount not to exceed \$46 per semester credit hour; and unless otherwise expressly provided by this code, for the 2005-2006 academic year and thereafter, an amount the governing board considers necessary, and charged under the terms the governing board considers appropriate, for the effective operation of the institution.

CSHB 3015 provides that for a nonresident student or a student enrolled in a graduate or professional degree program, the governing board of an institution of higher education may charge amounts designated as tuition in the amounts and under the terms the governing board considers necessary for the effective operation of the institution.

CSHB 3015 provides that a governing board may set a different tuition rate for each program and course level offered by each institution of higher education. A governing board may set a different tuition rate as the governing board considers appropriate to increase graduation rates, encourage efficient use of facilities, or enhance employee performance.

CSHB 3015 amends Section 54.051, Education Code, to provide that tuition may not be charged under this section or under Section 54.0512 for any academic period after the 2004-2005 academic year.

CSHB 3015 amends Chapter 56, Education Code, by adding Subchapter B to provide that the governing board of each institution of higher education shall cause to be set aside not less than 15 percent of any amount of tuition charged to a resident undergraduate student under Section 54.0513 in excess of

\$46 per semester credit hour. The funds set aside under this section by an institution shall be used to provide financial assistance for resident undergraduate students enrolled in the institution.

CSHB 3015 provides that to be eligible for assistance under this section, a resident undergraduate student must establish financial need in accordance with rules and procedures established by the Texas Higher Education Coordinating Board. Priority shall be given to resident undergraduate students who meet the coordinating board definition of financial need, and whose cost for tuition and required fees is not met through other non-loan financial assistance programs. The bill provides that the financial assistance provided under this section may include grants, scholarships, and work-study programs.

CSHB 3015 provides that the governing board of each institution of higher education shall cause to be set aside not less than three percent of any amount of tuition charged under Section 54.0513 to a nonresident undergraduate student in excess of \$46 per semester credit hour. The funds set aside under this section by an institution shall be used to provide financial assistance for nonresident undergraduate students enrolled in the institution.

CSHB provides that to be eligible for assistance under this section, a nonresident undergraduate student must establish financial need in accordance with rules and procedures prescribed by the Texas Higher Education Coordinating Board. Priority shall be given to nonresident undergraduate students who meet the coordinating board definition of financial need, and whose cost for tuition and required fees is not met through other non-loan financial assistance programs.

CSHB 3015 provides that if the funds set aside under this section exceed the amount required to provide financial assistance to each eligible nonresident undergraduate students eligible, the institution may use the excess funds to provide the same type of financial need for students who qualify for financial assistance under Section 56.011.

CSHB 3015 amends Subchapter H, Chapter 51, Education Code, to provide that not later than November 30, 2004, the chief executive officer of each institution of higher education, as defined by Section 61.003, shall provide to the governing board of the institution a report for the preceding fall, spring, and summer semesters that examines the affordability and access of the institution. The bill provides that the report must include statistical information on the percentage of gross family income required for a student who is a resident of this state to pay tuition and required fees charged by the institution, the criteria used by the institution to admit students to the institution, an analysis of the criteria used to admit students and to award financial assistance to students, considering the mission of the institution and the purposes of higher education in this state, and comparisons of the institution with peer institutions in this state and in other states with respect to affordability and access. The bill provides that for purposes of the report, a student who applies for admission to or enrolls in an institution and applies for financial aid from the institution may be required to provide documentation necessary for the institution to complete the report. The bill provides that an institution's report must be in the form prescribed by the Texas Higher Education Coordinating Board in consultation with the institution.

CSHB 3015 amends Section 54.619, Education Code, to provide he board may suspend new enrollment in the program as the Prepaid Higher Education Tuition Board considers necessary to ensure the actuarial soundness of the Texas Tomorrow constitutional trust fund.

CSHB 3015 amends Section 54.622, Education Code, to provide that the board may, in its sole discretion, rather than shall, make prepaid tuition contracts available for the junior college plan, senior college plan, junior-senior college plan, and private college plan.

CSHB 3015 amends Section 54.624, Education Code, to provide that when the beneficiary of a senior college plan prepaid tuition contract enrolls in a public senior college or university, the university shall accept as payment in full of the beneficiary's tuition and required fees the lesser of the amount of tuition and required fees charged by the institution, or an amount paid by the board under the contract equal to

the weighted average amount of tuition and required fees of all public senior colleges and universities for that semester or other academic period as determined by the board.

CSHB 3015 provides that each public senior college or university shall provide the information requested by the board on or before June 1 each year to assist the board in determining the weighted average amount of tuition and required fees of all public senior colleges and universities for each semester or other academic term of the following academic year for purposes of this section.

EFFECTIVE DATE

This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

CSHB 3015 modifies the original by reinstating Sec. 54.0513, Education Code, and amending it to eliminate the provision that the building use fee previously authorized in Sec. 55.16 is redesignated as tuition, and to retitle the section as Designated Tuition. The substitute provides graduated tuition setting guidelines for the 2003-2004 and 2004-2005 academic year and authorizes institutions to set tuition for the 2005-2006 academic year, and thereafter at a rate the governing board considers necessary for the effective operation of the institution. The substitute provides that an institution can set non-resident and graduate or professional degree program tuition at a rate the board considers necessary for the effective operation of the institution. The substitute provides that a governing board of an institution may set a different tuition rate for each program and course level offered by that institution of higher education. The substitute adds provisions for financial assistance funded from set-aside amounts of tuition in excess of \$46 per semester credit hour charged to resident undergraduate and non-resident undergraduate students. The substitute provides eligibility criteria for financial assistance under Section 56.011 and Section 56.012, Education Code. The substitute reinstates Interim Tuition Rates, Sec. 54.0512, Education Code. The substitute reinstates Special Summer Tuition Rates at Certain Institutions: Pilot Program, Sec. 54.0514, Education Code. The substitute eliminates Sec. 54.0031, Education Code, which provided an expiration date for the authority of institutions of higher education to impose tuition and student fees authorized by the introduced Act. The substitute reinstates existing provisions for tuition limits in cases of concurrent enrollment under Section 54.062, Education Code. The substitute reinstates the minimum and maximum resident tuition set-aside provided under Section 56.033, Education Code, for Texas Public Education Grants. The substitute provides additional reporting requirements for affordability and access under Section 51.4031, Education Code, and that the report be submitted by November 30, 2004, rather than within 30 days of the end of each academic year. The substitute reinstates provisions regarding tuition rates set by governing boards under Section 54.008, Education Code. The substitute reinstates provisions for tuition rates under Section 54.051, Education Code, and eliminates the provisions added by the original to allow an institution to set tuition under this section. The substitute eliminates the requirement that tuition charged to resident undergraduate student may not exceed 5 percent of their gross family income, and that the institution is required to bare the cost of any additional tuition expense above the 5 percent cap. The substitute adds Section 54.051(o) to prohibit tuition from being charged under this section or under Section 54.0512, Education Code, for any academic period after the 2004-2005 academic year. The substitute amends Sections 54.619, 54.622, and 54.624, Education Code, to provide hold-harmless language for the state's college savings plans.