LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 13, 2003

TO: Honorable Florence Shapiro, Chair, Senate Committee on Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB3015** by Morrison (Relating to the tuition charged and financial assistance funded by tuition charged to students of institutions of higher education and to a study of the accessibility and availability of graduate and professional programs.), **As Engrossed**

No significant fiscal implication to State appropriations is anticipated.

Fiscal Analysis
Universities would realize additional revenue for increases in designated tuition rates. However, this change would have no fiscal impact to State appropriations because designated tuition is considered institutional funds and is therefore outside of the appropriation process.he bill would allow institutions to increase the amount charged as designated tuition to resident and non-resident students. The bill would allow higher education institutions (general academics, health-relateds, and Texas State Technical College components) to increase the amount charged as designated tuition for resident and non-resident students.

For resident undergraduate students, institutions would be able to charge designated tuition up to $69 per semester credit hour for fiscal year 2004, and up to $94 per semester credit hour for fiscal year 2005. For fiscal year 2006, an institution could charge the amount the governing board considers necessary for the efficient operation of the institution, subject to certification by the Higher Education Coordinating Board that the institution has made satisfactory progress toward accessibility goals established by the Coordinating Board. For fiscal year 2007 and beyond, an institution could increase resident tuition up to the amount charged in FY 2006 for a resident undergraduate in the same degree program. The governing board of an institution would not be able to increase resident tuition by a greater percentage than the percentage increase in non-resident tuition from the preceding academic year.

For non-resident students or students enrolled in graduate or professional degree programs, institutions would be able to charge designated tuition in the amount the governing board considers necessary for the efficient operation of the institution. Governing boards may set different statutory tuition rates for each program and course level.

The bill would require that for designated tuition in excess of $46 per semester credit hour, at least 20 percent of resident undergraduate students’ designated tuition, at least 15 percent of resident graduate students' designated tuition, and not less than three percent of non-resident undergraduate students’ designated tuition be set aside to provide financial assistance for those students.
The bill would require the Coordinating Board to disseminate information regarding the availability of the financial assistance noted above to each public or private high school in the state.
The bill would require the chief executive officer at each higher education institution to prepare a report that examines the affordability and access of the institution.

The bill would allow the Prepaid Higher Education Tuition Board to suspend new enrollment in the Prepaid Higher Education Tuition Program.

The bill would require a university to accept as payment in full for tuition and required fees the lesser of the amount of tuition and required fees charged by the institution or an amount equal to the weighted average amount of tuition and required fees of all public senior colleges and universities.

Universities would realize additional revenue for increases in designated tuition rates. However, this change would have no fiscal impact to the State because designated tuition is considered institutional funds and therefore is outside of the appropriation process. It is assumed that tuition set aside for financial aid would be administered by each institution.

There could be fiscal implications for TEXAS Grants because increases in tuition and fees would increase the average amount of a TEXAS Grant. Assuming the average cost of tuition and fees increase five percent, the increased costs of TEXAS Grants would be $12.4 million in 2004, increasing to $17.7 million in 2008. To the extent that no additional General Revenue is appropriated, existing statute allows the Coordinating Board to change the financial need criteria so that the total number of TEXAS Grants recipients would decrease proportional to the cost related to increases in average tuition and fees.

It is assumed that higher education institutions would use revenue from designated tuition to cover costs associated with administering designated tuition set asides and financial aid paid from these funds. Also, this increase in designated tuition would be used at certain institutions to offset the difference between what they charge in tuition and fees and the amount of a TEXAS Grant and the amount of the payment from a prepaid tuition contract.

It is assumed that institutions would use available funds to comply with reporting requirements related to the affordability and access of their institution.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 781 Higher Education Coordinating Board
LBB Staff: JK, SD, CT, PF, MG, WP