LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 24, 2003

TO: Honorable Geanie Morrison, Chair, House Committee on Higher Education

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB3015** by Morrison (Relating to the tuition charged to students of institutions of higher education and to student financial assistance funded by tuition.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3015, Committee Report 1st House, Substituted: an impact of $0 through the biennium ending August 31, 2005.

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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$0
2005	$0
2006	($227,000,000)
2007	$0
2008	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *EST OTH EDUC & GEN INCO* 770	Probable Revenue (Loss) from *GENERAL REVENUE FUND* 1
2004	$0	$0
2005	$0	$0
2006	($605,881,356)	($227,000,000)
2007	($605,881,356)	$0
2008	($605,881,356)	$0

Fiscal Analysis

The 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 and beyond, institutions could charge the amount the governing board considers necessary for the efficient operation of the institution. 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 prohibit institutions from charging statutory tuition beginning in fiscal year 2006. Because statutory tuition is deposited in the State Treasury and designated tuition is not, beginning in fiscal year 2006 there would be a loss of revenue in the State Treasury.

The bill would require that for designated tuition in excess of $46 per semester credit hour, 15 percent of resident students' designated tuition and not less than three percent of non-resident students' designated tuition would be set aside to provide financial assistance for undergraduate students.

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.

Methodology

According to the Comptroller, the expected ending balance for tuition revenue in the State Treasury for fiscal year 2003 is $227 million. The failure to deposit revenue from statutory tuition in the State Treasury would have a negative effect on the state's cash flow for fiscal year 2006 expected to be an amount similar to that for fiscal year 2003 ($227 million).

Based on information provided by universities in the fiscal year 2001 Annual Financial Reports and 2004-05 Legislative Appropriations Requests, the estimated amount of statutory tuition income for fiscal year 2006 through fiscal year 2008 would be approximately $556 million for general academic institutions, $38 million for health-related institutions, and $12 million for Texas State Technical College components. This amount does not include any adjustments for changes in enrollment. The elimination of statutory tuition could result in a corresponding cost to General Revenue to fund items that are currently funded with statutory tuition, such as formula funding.

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