

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 6, 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3015, As Introduced: a positive impact of \$911,901,417 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	\$449,673,076
2005	\$462,228,341
2006	\$462,228,341
2007	\$462,228,341
2008	\$462,228,341

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>EST OTH EDUC & GEN INCO</i> 770	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1
2004	\$442,275,055	\$449,673,076
2005	\$454,513,116	\$462,228,341
2006	\$454,513,116	\$462,228,341
2007	\$454,513,116	\$462,228,341
2008	\$454,513,116	\$462,228,341

Fiscal Analysis

The bill would allow governing boards of general academic (universities) and health-related institutions of higher education to set tuition rates in the amount necessary to effectively operate each institution. The bill would repeal all language related to current tuition rates, including statutory tuition, designated tuition, law school tuition, veterinary medicine tuition, and tuition charged at health-related institutions.

The bill would authorize tuition remissions to undergraduate resident students so that tuition and fees do not exceed five percent of the student's gross family income.

The bill would decrease the minimum tuition set-aside amounts required to fund Texas Public Education Grants from 15 percent to 7.5 percent for resident tuition.

The bill would delete language in statute that prevents certain portions of tuition and fees from being appropriated or being used in a way that would reduce the general revenue appropriation to an institution.

Methodology

In the 2004-05 Legislative Appropriations Requests, the universities and health-related institutions estimated that they would collect \$362 million and \$9.9 million, respectively, in designated tuition in fiscal year 2004, and \$373.7 million and \$10.3 million, respectively, in fiscal year 2005. Revenue from board authorized tuition is projected to be \$68.2 million for universities and \$2.4 million for health-related institutions annually for fiscal year 2004 and fiscal year 2005. This fiscal note assumes that for purposes of running the funding formulas, institutions would collect similar amounts of revenue in fiscal year 2004 and fiscal year 2005.

Current statute excludes board-authorized tuition from the calculation of General Revenue appropriations. This analysis assumes that by amending current statute to remove this language, all tuition would be included in general academic and health-related formula funding. Based on the methodology used for tuition exemption fiscal notes, which assumes a General Revenue cost for the amount of tuition exemptions, it is assumed that additional tuition revenue would result in a corresponding savings to institutions' General Revenue appropriations.

This analysis assumes that universities and health-related institutions would increase tuition up to the amount necessary to cover General Revenue savings associated with formula funding. For purposes of this fiscal note, this additional tuition revenue is not included in running the funding formulas for fiscal year 2004 and fiscal year 2005. Additional revenue from tuition increases would result in an increase to General Revenue-Dedicated funds of \$442.5 million in fiscal year 2004 and \$454.6 million in fiscal year 2005.

Currently, institutions collect designated tuition but these funds are not appropriated. Therefore, the appropriation of designated tuition would result in an increase to the institutions' appropriation of General Revenue Dedicated funds but not an overall increase to their revenue.

Decreasing the minimum tuition set-aside amounts for resident tuition would result in a decrease to Texas Public Education Grants and to the current estimated tuition set-aside in the amount of \$5.8 million in fiscal year 2004 and \$6.1 million in fiscal year 2005 for the universities, and a decrease of \$1.6 million annually for the health-related institutions. A decrease in the tuition set-aside results in additional tuition revenue available for formula funding, therefore it is assumed that there would be a corresponding savings to General Revenue formula appropriations.

Since it is difficult to determine at what rate institutions' governing boards will set tuition, it is assumed that tuition rates would remain at the fiscal year 2005 level for fiscal years 2006-2008 for purposes of this analysis.

Data on gross family income for students and the amount of financial assistance that they would receive is not available. However, The University of Texas System has responded that for their largest institution this provision would result in a loss of tuition revenue of \$29.9 million each year. This amount is not included in the fiscal impact tables above.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 720 The University of Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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