

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 21, 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 and fees charged to students of institutions of higher education, to financial assistance funded by tuition, and to accountability reports by institutions of higher education.), **Committee Report 2nd House, Substituted**

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| No significant fiscal implication to State appropriations is anticipated. |
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As a result of the bill, universities would realize additional revenue from increases in designated tuition rates. However, this change would have no fiscal impact to State appropriations, because designated tuition receipts are considered institutional funds and, therefore, outside of the appropriation process. 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 non-resident students or students enrolled in graduate or professional degree programs, including dental, medical, or allied health 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 designated tuition rates for each program, course level, and semester.

Under the provisions of this bill, the authority of higher education institutions to charge tuition and academic-related fees would expire on January 1, 2006.

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.

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 and not less than three percent of non-resident undergraduate students' designated tuition be set aside to support undergraduate work-study programs and the Texas B-On-Time student loan program, if that program is enacted by the 78th Legislature.

The bill would require not less than 15 percent of resident graduate students' designated tuition in excess of \$46 per semester credit hour be set aside to provide financial assistance for those students.

The bill would require the Coordinating Board to provide 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 governing board of each higher education institution to prepare a report that examines the affordability of and access to their institutions. The report must be submitted to the Higher Education Coordinating Board not later than January 1 following the end of the academic year, and to the governor's budget office and legislative offices not later than January 1 of each odd-numbered year.

There could be fiscal implications for TEXAS Grants because increases in tuition and fees would increase the average amount of a TEXAS Grant. 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