

BILL ANALYSIS

C.S.H.B. 1824
By: Hamric
Higher Education
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, higher education institutions must estimate their local funding for each upcoming biennium. General revenue appropriations for each institution are calculated by subtracting this estimate from the appropriations indicated under state funding formulas. If the institutions overestimate receipts, they must live with the shortfall; if they underestimate receipts, they may keep the difference.

! The Legislative Budget Board (LBB), as part of the state's budget process, requires colleges and universities to estimate their educational and general (E&G) income for each upcoming biennium. E&G funds include tuition, lab fees, student teaching fees, organized activity fees, proceeds from the sale of educational and general equipment, and other student fees.

! The LBB relies primarily on the institutions' own estimate. General revenue appropriations for each institution are calculated by subtracting the E&G income each institution estimates that it will collect during the biennium from the appropriations to which it is entitled under the prescribed formulas. Institutions' E&G estimates, therefore, are important in determining their general revenue appropriations.

! If the institutions obtain more E&G revenue than their estimates, they can spend it; by the same token, they must live with their state funding even if actual E&G income falls below their estimate.

General revenue appropriations to higher education institutions should be adjusted based on the difference between the institution's estimated and actual income. CSHB 1824 requires general revenue appropriations to higher education institutions to be adjusted based on the difference between estimated and actual receipts.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

CSHB 1824 amends Section 61.059(c), Education Code, to provide that formulas for basic funding shall include a positive or negative adjustment, as appropriate, of the estimated amount of educational and general funds to be received by an institution of higher education so as to account for the institution's reconciliation of those funds for the preceding biennium as computed and reported under Section 61.065. The bill provides that the board may not adjust the estimated amount of the education and general funds to be received by an institution to the extent that any discrepancy in the institution's reconciliation results from unanticipated enrollment growth.

CSHB 1824 amends Section 61.065, Education Code, by adding Subsections (c), (d) and (e) to require the coordinating board to adopt a system of financial accounting of all educational and general funds received for each institution of higher education including tuition, laboratory fees, student teaching fees, organized activity fees, proceeds from the sale of educational and general equipment, and indirect

cost recovery fees received by an institution. The provides that a system must require each institution to reconcile the estimated amount of educational and general funds used to determine state appropriations for the institution for the most recently completed state fiscal biennium to the actual amount of educational and general funds that the institution received during that biennium.

CSHB 1824 provides that each institution of higher education shall report its reconciliation under Subsection (c) to the coordinating board, the Comptroller, and the LBB at the time prescribed by the coordinating board. The bill provides that Subsection (c) and (d) do not apply to medical or dental units.

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 1824 modifies the original by prohibiting the coordinating board from adjusting the estimated amount of educational and general funds to be received by an institution if the discrepancy results from unanticipated enrollment growth. The substitute excludes medical and dental institutions from the application of this Act.