

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 22, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1542 by Shapiro (Relating to the tuition set by the governing board of a public institution of higher education and to accountability reports by those institutions.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1542, Committee Report 1st House, Substituted: a positive impact of \$71,873,612 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	\$27,989,243
2005	\$43,884,369
2006	\$34,554,621
2007	\$34,554,621
2008	\$34,554,621

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>EST OTH EDUC & GEN INCO</i> 770
2004	\$27,989,243	\$27,989,243
2005	\$43,884,369	\$43,884,369
2006	\$34,554,621	\$34,554,621
2007	\$34,554,621	\$34,554,621
2008	\$34,554,621	\$34,554,621

Fiscal Analysis

The bill would increase the resident statutory tuition rate charged by general academic teaching institutions (universities). In fiscal year 2004, the rate would increase from \$46 per semester credit hour to \$52 per semester credit hour beginning in the spring semester. In fiscal year 2005, the rate would increase from \$48 per semester credit hour to \$52 per semester credit hour for the fall semester and to \$54 per semester credit hour for the remainder of the academic year. For fiscal year 2006 the rate would increase from \$50 per semester credit hour to \$54 per semester credit hour unless a different rate is specified.

The bill would allow institutions to charge as designated tuition not to exceed the statutory tuition amount and to set designated tuition at different rates for different programs. This revenue is

considered "institutional funds" and not included in the appropriation process.

The bill would require three percent of nonresident students' designated tuition and 15 to 20 percent of resident students' designated tuition be set aside to support work-study programs and the Texas School Fund Loan Program (SB 4) if that program is enacted by the 78th Legislature.

The bill would require the Higher Education Coordinating board to adopt standards to measure the performance of each institution. The institutions' governing boards shall prepare a performance measures report no later than January 1 following the end of the academic year.

The bill would require the Senate Committee on Education to conduct a study of alternative methods by which tuition and fees may be set by the legislature and by the institutions' governing boards.

Methodology

Based on information provided by universities in the fiscal year 2001 Annual Financial Reports and 2004-05 Legislative Appropriations Requests, the estimated increase in tuition revenue would be \$27,989,243 for fiscal year 2004 and \$43,884,369 for fiscal year 2005. For fiscal year 2006 and beyond, it is assumed that tuition increases would generate \$34,554,621 in additional tuition revenue (beyond the current tuition rate in statute for that fiscal year). These amounts do not include any adjustments for changes in enrollment. Based on the methodology used for tuition exemption fiscal notes, it is assumed that additional tuition revenue as a result of the increases above \$46 per semester credit hour would result in the legislature making a corresponding decrease in General Revenue appropriations to the universities.

Universities would also 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. Designated tuition set aside for the Texas School Fund Loan Program also would not be appropriated.

It is assumed that the Coordinating Board and institutions would be able to develop performance measures and prepare a report on those measures within available funds.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies:

LBB Staff: JK, JO, CT, PF, MG