

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 10, 2005

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB1484 by Williams (Relating to general revenue appropriations to institutions of higher education.), **As Introduced**

Assuming that the removal of the prohibition for designated tuition as it applies to higher education institutions would not impact general revenue, no significant fiscal implication to the State is anticipated.

The bill would delete the provision that prohibits designated tuition from being accounted for in the General Appropriations Act in such a way as to reduce General Revenue appropriations to a particular institution.

The future impact of the legislation on funding would depend on whether the legislature decides; 1) to reduce general revenue formula funding by the designated tuition amount; 2) keep the general revenue amount the same and run the additional tuition revenue through the formulas. This would affect the allocation of general revenue between the higher education institutions; or 3) keep general revenue appropriations the same and let the individual institutions keep the additional tuition revenue generated outside the formula allocation.

The Coordinating Board estimates that the total amount of designated tuition to be \$878,934,339 in fiscal year 2006 and \$923,381,059 in fiscal year 2007. Actual collected designated tuition in fiscal year 2003 was multiplied by the two year percentage increase in designated tuition rates between Spring 2003 and Fall 2004. The Coordinating Board assumed a five percent annual increase in collections for fiscal year 2006 through fiscal year 2010.

Under Section 56.011 of the Education Code, the governing board of each institution of higher education is required to set aside 20 percent of any amount of designated tuition charged in excess of \$46 per semester credit hour. One quarter of the 20 percent set aside is to fund the B-on-Time program. The latest campus data collected by the Coordinating Board from Texas institutions in June 2004 indicate an annual estimated total of \$263.4 million would be collected from designated tuition (charged at rates above \$46 per semester credit hour) for the Fall 2004 and Spring 2005 semesters. The required set-aside funds financial aid and the B-on-Time loan program at an estimated \$52.7 million. It is assumed that passage of the bill would not impact this section.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board

LBB Staff: JOB, SD, RT, GO