

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 6, 2013

TO: Honorable Dan Branch, Chair, House Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB830 by Fletcher (relating to the portion of designated tuition set aside to provide student financial assistance at institutions of higher education.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill amends the Education Code as it relates to portion of the designated tuition set aside used to provide financial assistance to students attending institutions of higher education. Under provisions of the bill, the institution must prioritize tuition and fee exemptions required under Section 54.341 of the Education Code (Hazlewood Program) before the institution can use the set asides for other student financial assistance. The bill requires that the tuition set asides only be used for students that establish financial need. The bill also amends statute as it relates to the five percent of designated tuition set asides used to support the B-On-time program. Under provisions of the bill, the 5 percent would be in addition to, as opposed to part of, the 20 percent of designated set asides used for resident undergraduate student assistance. The changes under the bill would be effective beginning with the 2014 fall semester.

As the bill only impacts designated tuition, which is classified as institutional funds, there would be no impact to the state. Further, the Hazelwood Program results in forgone tuition revenue to institutions, rather than resulting in an expenditure of funds.

Several institutions have indicated that if the bill resulted in a decrease in financial aid, as a result of the institution no longer expending the designated tuition set-aside as they do under current law, enrollment could be impacted, resulting in a loss of designated tuition. To the extent enrollment decreases, there could be general revenue formula funding savings. Based on information provided by the Higher Education Coordinating Board, the designated tuition set aside amount for fiscal year 2012 was approximately \$171.9 million for public universities while the revenue losses associated with the Hazlewood program was approximately \$89.6 million. For some institutions, the revenue loss associated with the Hazlewood program is very close to or exceeds the amount of the designated tuition set aside.

The bill would increase the amount of institutional funds institutions would have to set aside for student financial assistance. Based on information provided by the Higher Education Coordinating Board, an estimated \$236.6 million would have been set aside at public universities in fiscal year 2012, if provisions of the bill were in effect at that time. Several institutions have indicated that the increase in the funds directed to the set aside would make less funds available for operations.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 768 Texas Tech University System Administration, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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