

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 17, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3265** by Turner, Chris (Relating to the administration of the Texas B-On-time loan program to permit a portion of tuition set-asides to be used to fund tuition exemptions for veterans and other student financial assistance.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time, but there are probable General Revenue-Dedicated revenue losses to the State and corresponding increases in institutional funds in the range of \$30 million to \$50 million for the 2014-15 biennium at institutions of higher education. Included below is information regarding these revenue decreases in General Revenue-Dedicated funds and increases in institutional funds.

The bill amends Education Code as it relates to the Texas B-On-Time Loan program to permit institutions of higher education to use a portion of designated tuition set asides to support current exemptions for veterans and their family members and other student financial assistance. Under provisions of the bill, if the amount of tuition set aside in an academic year exceeds that amount necessary to fund loans to students of the institution under the Texas B-On-time loan program in that academic year, the Higher Education Coordinating Board shall permit the institution to retain the portion of the tuition set aside at the institution that exceeds the amount necessary to fund loans to students of the institution under the program. This amount retained by the institution may be used only to offset the forgone revenue that is a result of exemptions for veterans and their family members under Education Code Section 54.341. If the amount retained exceeds the amount necessary to fully replace the revenue forgone as a result of the exemptions, the institution shall use any remaining amount to provide financial assistance to students of the institution in the same manner as tuition set asides are provided for under Education Code Section 56.011.

Under current law institutions of higher education are required to set aside 5% of designated tuition that is in excess of \$46 per semester credit hours to be deposited to the credit of the Texas B-On-Time General Revenue-Dedicated account. These General Revenue-Dedicated funds are appropriated to the Higher Education Coordinating Board to be distributed to eligible institutions for B-On-Time loans at their respective institutions. The amount of tuition set asides contributed by each institution as compared to the distributions to each institution can vary widely. Several factors, including appropriation authority for the general revenue-dedicated account, the number of students currently participating in the program (renewals), and the enrollments at a given institution, can impact the allocations to each institution. It is also unknown as to the relationship between the B-On-Time loans at a given institution as compared to the tuition exemptions at that same institution for veterans and their family members, but across all institutions the value of forgone revenue as a result of the exemption is significantly greater than the allocations to the Texas B-On-time program.

In fiscal year 2012-13, the Higher Education Coordinating Board was appropriated a sum certain amount of \$80.6 million in tuition set asides to be used for the B-On-Time program. During that same time period, based on information provided by the Higher Education Coordinating Board, approximately \$112.6 million in set asides were collected from the institutions and deposited into the general revenue-dedicated account. Based on these assumptions approximately \$32 million in general revenue-dedicated funds would have converted to institutional funds and be available to institutions to use to offset the exemptions for veterans and their families if the bill had been in effect during the 2012-13 biennium. This amount could increase if institutions increase designated tuition, assuming the appropriation authority for the General Revenue-Dedicated account remains unchanged.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

LBB Staff: UP, KK, SK, GO