LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 21, 2013

TO: Honorable Kel Seliger, Chair, Senate Committee On Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1210** by Zaffirini (relating to conditions on the receipt of tuition and fee exemptions and waivers at public institutions of higher education.), **Committee Report 1st House, Substituted**

The bill is estimated to have probable General Revenue savings in the range of $1.3 to $1.5 million each fiscal year from 2016-2018. Included below is information regarding the estimated fiscal implication.

The bill relates to conditions on the receipt of tuition and fee exemptions and waivers at public institutions of higher education. Under provisions of the bill, after initially qualifying for an exemption or waiver from the payment of all or part of the tuition or other fees at an institution of higher education, a person may continue to receive the exemption or waiver for a subsequent semester or term only if certain conditions are met. One condition, that applies to graduate and undergraduate students, includes maintaining a grade point average that satisfies the institution's grade point average requirement for making satisfactory academic progress. Another condition for undergraduate students is tied to the student not completing at the beginning of the semester or term a number of credit hours that is considered excessive unless good cause is shown. Each institution would be required to adopt a policy to allow a student to be able to continue waivers, exemptions, or reduction in demonstrated hardship cases. The new eligibility requirements would not apply to students enrolled in course for concurrent high school and college-level credit or any other reduction in tuition provided to a high school student for enrollment in a dual credit course or any provision under Chapter 54, Subchapter B (Tuition Rates), of the Education Code, that authorizes or requires the payment of tuition or fees at the rates provided for residents of this state by a person who is not a resident of this state.

Based on the following assumptions included below, there are probable General Revenue savings in the range of $1.3 to $1.5 million each fiscal year from 2016-2018. This amount was estimated first based on the current award value and number of awards provided in fiscal year 2012 for affected exemptions and waivers. According to information provided by the Higher Education Coordinating Board (THECB), public institutions of higher education reported in fiscal year 2012 that approximately 88,000 awards were provided for a total cost of approximately $177.6 million in foregone tuition and fees.

In estimating the scope of impacted exemptions and waivers in future years, the analysis first assumes an increase in the number of awards provided by institutions in each fiscal year. It is assumed that the number of awards from all waivers and exemptions except the Hazlewood Exemption will increase proportionate to the rate of growth estimated at each particular type of institution of higher education from fiscal years 2014-2018 as estimated by THECB. It is assumed that the number of awards for the Hazlewood Exemption will increase at a faster rate of growth than the other affected waivers and exemptions. After incorporating growth to determine the number of awards, the value of the awards was estimated to increase proportionately or by using the average of the award amount multiplied by number of awards. It is also assumed that the value of awards will additionally increase by 1.5% each fiscal year due to a combination of assumed growth in designated tuition, fees, and types of award provided to a recipient.

After determining the total value of all affected waivers and exemptions from fiscal years 2014-2018, the analysis estimates the number of awards that would be impacted under the provisions of the bill. The provisions of the bill impact renewal awards and specify the conditions under which an individual would no longer be eligible to receive the waiver or exemption. Based on information provided by THECB, it was assumed that between 10-15% (depending on type of institution) of renewal awards, a subset of the entire scope of affected waivers and exemptions, would no longer be provided to a student due to ineligibility under the bill's provisions.

Based on these assumptions, it was estimated that the waivers and exemptions that would no longer be provided to students could impact approximately 7,000 to 8,000 award recipients out of 110,000 to 120,000 recipients from fiscal years 2015-18. After estimating the size of the population and award value that would be impacted under the provisions of the bill, it was assumed that students no longer eligible for an exemption or waiver would either choose to remain at the institution and begin paying the value of tuition and fees or the student would leave higher education. For purposes of the fiscal note, it was assumed that students would choose to stay or leave higher education at different rates depending on the value of the waiver or exemption compared to the cost of the type of institution.

It is assumed that estimated savings in General Revenue would come from reduced formula funding for institutions of higher education due to fewer students at the different types of institutions. This savings would not be seen until fiscal year 2016 as formula funding is provided to institutions based on student data prior to the biennium that will be funded. As such, formula funding in fiscal years 2014 and 2015 will be based on students that are enrolled during fiscal year 2013. Using information derived from the analysis described above and applying estimated amounts of general revenue provided per student at a specific type of institution in formula funding, it is estimated that the state will see savings of approximately $1.3 to $1.5 million each year in formula General Revenue from fiscal years 2016-18.

It is assumed that estimated increases in tuition and fees would come from the students that elect to remain at the institution of higher education and begin paying the value of the tuition and fees that had previously been exempted. It is estimated that institutions of higher education will see increased tuition and fee revenue of approximately $15.0 million to $18.0 million each fiscal year from fiscal years 2015-18.

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, 768 Texas Tech University System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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