

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 14, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB233 by Schwertner (Relating to limitations on increases in fees and designated tuition charged by public institutions of higher education.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill relates to limitations on designated tuition and fees charged by public institutions of higher education. The bill would limit designated tuition increases at all public institutions of higher education in the state, including general academic institutions, health related institutions, technical colleges, public state colleges, and community colleges, to a maximum allowable increase of the inflation rate as published by the Legislative Budget Board (LBB). The bill would limit increases of fees listed in Subchapter E of the Texas Education Code, Chapter 54, to a maximum allowable increase of the inflation rate as published by the LBB, except if the increase is approved by a vote of the students of the institution voting in a student election authorized by law for that purpose.

Designated tuition and fees within Subchapter E of the Texas Education Code, Chapter 54, except for laboratory fees, student teaching fees, and special course fees, are classified as institutional funds; therefore, there would be no impact to the State. Laboratory fees, student teaching fees, and special course fees under Subchapter E of the Texas Education Code, Chapter 54, are accounted for as educational and general income, or statutory tuition, in the General Appropriations Act. It is assumed that the provisions of the bill would not have a significant effect on this income.

The provisions of the bill limiting tuition increases take effect in the 2015-16 academic year, which corresponds to fiscal year 2016. For the 2015-16 academic year, if an institution's governing board gave approval to increased tuition rates for academic year prior to January 1, 2015, the institution may charge tuition at this rate. Otherwise, for the 2015-16 academic year, the amount of tuition charged to a student may not exceed the total amount of tuition that the institution would have charged a student for the 2014-15 academic year. If a student paid an amount of tuition for the 2015 fall semester in excess of the maximum allowable increase, the institution, no later than January 1, 2016, shall refund the excess amount to the student.

Based on provisions of the bill, it is assumed in future years that the LBB would publish an inflation rate not later than January 31 of each year. The inflation rate will be determined by LBB and is based on the change to the consumer price index (CPI) for the preceding year as compared to the preceding year. Institutions of higher education may increase tuition for an upcoming academic year, limited to a maximum allowable increase equal to the previous year's tuition plus any adjustments for inflation. Tuition increases would be limited to once in any academic year.

The provisions of the bill limiting fee increases take effect for the 2015 fall semester. Based on provisions of the bill, fee increases would be limited to a maximum allowable increase equal to the previous year's fee plus any adjustments for inflation. To apply provisions of the bill for fee increases in fall 2015, the LBB shall publish and certify the inflation rate as soon as practicable after the enactment of the legislation. An institution may increase fees by more than the maximum allowable increase if approved by a vote of the students of the institution voting in a student election authorized by law; however, an institution may not call a student election to approve an increase in fee or increase a fee more than a maximum amount as otherwise prescribed in law.

Based on information provided by institutions of higher education, several institutions indicated that the bill would not impact designated tuition as they have already implemented a program that only allows tuition increases based on inflation. Other institutions indicated the bill would result in a loss in tuition revenue, which could reach a significant amount.

Administrative duties associated with the bill would be implemented within current resources.

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, 769 University of North Texas System Administration

LBB Staff: UP, GO, EMu, DEH, ED