LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 8, 2015

TO: Honorable John Zerwas, Chair, House Committee on Higher Education

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB778** by Seliger (Relating to performance-based tuition limitations for certain public institutions of higher education.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill relates to performance-based limitations on designated tuition charged by public institutions of higher education. The bill would tie potential designated tuition increases at general academic institutions, other than public state colleges, to achieving a majority of certain identified performance measures in the most recent fiscal year preceding the academic year in question for which data are available as determined by the Higher Education Coordinating Board (HECB) in consultation with the Legislative Budget Board (LBB). Designated tuition is classified as institutional funds, therefore, there would be no impact to the State.

The provisions of the bill take effect in the 2018-19 academic year, which includes fall 2018, spring 2019, and summer 2019. This academic year corresponds to fiscal year 2019. Based on provisions of the bill, an institution may not increase designated tuition for an upcoming academic year by more than the previous year's tuition adjusted for inflation if an institution does not attain a majority of performance targets set in the General Appropriations Act in the most recent fiscal year for which information is available. HECB shall engage in negotiated ruling to define the identified performance measures, establish a process by which an institution's achievement is submitted and verified, and determine an exception to limitations on designated tuition increases in the event of a natural disaster or other extraordinary circumstance. Targets will be set based on information submitted to the LBB by each institution in the legislative appropriations request for the upcoming state fiscal years. The targets will be established by an institution's governing board in consultation with an institution's president, provosts, and system administration, if applicable.

Performance measure information for a fiscal year is generally submitted in the winter after the completion of a fiscal year. For example, for fiscal year 2016, the review and determination of attainment for performance measure data would not be available until late 2016 or early 2017. Due to the lag in data availability for performance measure data, tuition for the 2018-19 academic year, or fiscal year 2019, would be based on attainment of performance measures for the 2016-17 academic year, or fiscal year 2017. Based on provisions of the bill, it is assumed the LBB would publish the inflation rate in January 2018 for the 2018-19 academic year based on the percentage increase in the consumer price index in 2017 over 2016.

The institutions limited in tuition increases due to insufficient performance measure attainment would utilize the LBB published inflation rate as the maximum allowable increase in designated tuition for the 2018-19 academic year. 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 assumed they would not meet the performance targets, and would have a loss in tuition revenue.

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: 783 University of Houston System Administration, 781 Higher Education Coordinating Board, 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, 769 University of North Texas System Administration

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

Local Government Impact