

## **BILL ANALYSIS**

Senate Research Center

S.B. 1323  
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Higher Education  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Until 2003, tuition rates for public institutions of higher education were set by the Texas Legislature. That year the legislature deregulated tuition, allowing the governing boards of public institutions to set different designated tuition rates for each institution. At the time, many expressed concerns that tuition deregulation would result in substantial increases to the cost of attending higher education. Indeed, according to the Legislative Budget Board (LBB), from 2003-2014 statewide average total academic charges for an undergraduate resident student taking 15 semester credit hours (SCH) increased 112 percent, including an increase of 240 percent in designated tuition (the portion set by institution governing boards). Adjusted for inflation, average cost increased by 67 percent, and designated tuition increased by 169 percent. Overall, from 2004-2015 the net tuition and fee revenues collected statewide increased by 119 percent as adjusted by inflation, and net tuition and fee revenues per full-time student equivalent increased 77 percent.

Concurrently, however, state support for higher education in terms of formula funding for core operations has declined over the same time period. From 2004-2015, total general revenue formula funding decreased by six percent, as adjusted by inflation. With significant increases in student enrollment, total general revenue formula funding decreased 24 percent per full-time student equivalent. As a result, from 2010 to 2015, Texas ranked last in the nation in total per-student revenue growth at its colleges and universities, according to a study by the State Higher Education Executive Officers Association. When adjusting for inflation, per student state funding decreased from approximately \$7,500 per student in 2001 to approximately \$5,500 now.

While it is clear that decreased state support has been met with increases in tuition, it also must be noted that when both sources of revenue are combined, from 2004-2015 total formula funding and net tuition and fee revenues have increased 30 percent per full-time student equivalent, as adjusted for inflation. Accordingly, institutions are receiving more funding per student due to increases in tuition that more than offset declines in state formula funding. Nevertheless, tuition has increased much more than necessary and that increase can be attributed to a corresponding decrease in state support.

S.B. 1323 would prohibit Texas general academic institutions from increasing tuition except to make up any difference between core operational costs and state formula funding appropriations. It also would require LBB to estimate core operational costs for each general academic institution every biennium and require general academic institutions to submit a detailed plan for reducing its core operational costs by at least five percent.

As proposed, S.B. 1323 amends current law relating to the academic costs charged to resident undergraduate students by general academic teaching institutions and to certain reports regarding certain costs of those institutions.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter A, Chapter 54, Education Code, by adding Section 54.018, as follows:

Sec. 54.018. LIMITATION ON INCREASE IN TOTAL ACADEMIC COSTS CHARGED TO RESIDENT UNDERGRADUATE STUDENTS. (a) Defines "general academic teaching institution," "core operational costs," and "total academic costs."

(b) Prohibits the total academic costs charged by a general academic teaching institution (institution), if for any state fiscal biennium the legislature appropriates to the institution from undedicated general revenue (GR) an amount that is less than the amount necessary to fully fund the institution's core operational costs for that biennium, from exceeding, for undergraduate students who are Texas residents for an academic year of that biennium, the amount that, when added to the amount of undedicated GR appropriated to the institution for the corresponding state fiscal year for that purpose, is equal to the institution's core operational costs for that corresponding state fiscal year.

(c) Authorizes the legislature in an appropriations Act, notwithstanding Section 54.0513(c), to provide for an adjustment of GR appropriated to an institution for a state fiscal year to account for an increase in the amount of total academic costs charged by the institution in that fiscal year to an individual student of the institution, in excess of an amount specified in the appropriations Act, if the legislature specifies such an amount in that Act.

(d) Provides that, for purposes of this section, students are similarly situated if they share the same residency status, degree program, course load, course level, tuition exemption status, and other circumstances affecting the total academic costs charged to the student.

(e) Provides that this section does not ensure that the total academic costs charged to an individual student will not increase by more than the limitation prescribed by Subsection (b) based on a change in the student's residency status, degree program, course load, course level, tuition exemption status, or other circumstance affecting the total academic costs charged to the student.

SECTION 2. Amends Section 54.0513, Education Code, by amending Subsection (c), as follows:

(c) Prohibits funds collected by an institution of higher education (IHE) under this section from being accounted for in a general appropriations act in such a way as to reduce GR appropriation to a particular IHE, except as provided by Section 54.018(c). Makes a nonsubstantive change.

SECTION 3. Amends Subchapter Z, Chapter 51, Education Code, by adding Section 51.979, as follows:

Sec. 51.979. BIENNIAL REPORT BY LEGISLATIVE BUDGET BOARD REGARDING CERTAIN UNIVERSITY COSTS. (a) Requires the Legislative Budget Board (LBB) to, not later than September 1 of each even-numbered year, submit to the Senate Finance Committee, the House Appropriations Committee, and the standing committee of each house with primary jurisdiction over higher education for consideration by the members of those committees in determining the amount of GR appropriations to institutions and tuition rates at those institutions, LBB's estimate of the core operational costs for the next state fiscal biennium for each institution, based on a methodology that:

(1) projects changes in student enrollment for each institution and a rate of inflation for each year of the next biennium; and

(2) uses data from each institution's annual financial report regarding costs for instruction, academic support, institutional support, operations and maintenance of physical plants, and student services.

(b) Requires LBB to submit with its estimate under Subsection (a)(1) a comparison of each institution's actual core operational costs for the preceding state fiscal biennium to LBB's previous estimate of the institution's core operational costs for that biennium.

SECTION 4. Requires each institution to, not later than September 1, 2018, submit to LBB, the Senate Committee on Finance, the House Appropriations Committee, and the standing committee of each house with primary jurisdiction over higher education a detailed plan for reducing the institution's operational costs by at least five percent.

SECTION 5. Effective date: upon passage or September 1, 2017.