

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 439** HLS 16RS 603

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 19, 2016 2:36 PM	Author: IVEY
Dept./Agy.: Higher Education	Analyst: Matthew LaBruyere
Subject: Postsecondary Tuition Increases	

STUDENT/TUITION OR INCREASE SG RV See Note Page 1 of 2
 Authorizes public postsecondary education management boards to increase tuition and provides for limitations and exceptions

Proposed law authorizes each management board to increase tuition by an amount of not more than 10% in any one year and not more than 20% cumulatively in a four-year period and further provides as follows: 1) Provides that each management board includes the authority to impose proportional amounts for part-time students and for summer sessions; 2) Requires each board to establish criteria for waiving the tuition and fees authorized in proposed law in cases of financial hardship; 3) Prohibits requiring any recipient of a TOPS award to pay any tuition increase authorized by proposed law for any semester or term for which he receives such an award.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Proposed legislation provides that no student receiving TOPS award shall be required to pay the increased tuition. This note assumes that this provision extends to the TOPS program and award amounts paid directly to institutions on behalf of eligible students; as such there is no anticipated increase in the TOPS program.

REVENUE EXPLANATION

The proposed legislation will result in an increase in self-generated revenue (SGR) as a result of institutions increasing tuition and fees. The exact increase is indeterminable since it is unknown what amount schools will increase tuition and fees, how many students will be enrolled at each institution, and how many student will receive TOPS. However, to the extent all institutions increase fees by 10% in one year and not more than 20% in 4 years, and the number of TOPS projected recipients remain constant, institutions could generate additional net revenue of \$151.6 M.

The proposed legislation allows for waiving tuition and fee increases in cases of financial hardship. It is unknown what criteria each management board will establish, how many waivers will be granted and how much tuition and fees will increase in the future. According to the Board of Regents, institutions spend an average of 20% of gross revenue from tuition and fee increases on scholarships, exemptions and hardship waivers.

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<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

Continued From Page One

To determine the potential increase, the annual tuition was increased at all institutions by 10% in FY 17 and FY 18. This resulted in each school achieving a 20% increase in the first two years. The tuition was increased again by 10% in FY 21 since it was after the initial four year window. The total of these tuition increases resulted in a revenue increase of \$293.7 M.

TOPS recipients for each institution do not have to pay the increased tuition. The increases in tuition were multiplied against the number of TOPS recipients which remained static for this illustration. After increasing tuition in FYs 17, 18 and 21, institutions would not receive \$94.2 M as a result of TOPS recipients not paying tuition increases. This results in a net increase in tuition revenue for all institutions of \$199.5 M. Once the 20% average of scholarships, exemptions and hardship waivers is applied (\$47.9 M), the final net revenue increase is \$151.6 M.

Institutions would increase tuition according to market conditions. It is possible not all institutions will increase to the maximum and some institutions may increase marginally. The number of TOPS recipients attending an institution in future years will effect the net revenue increase. The net revenue will also fluctuate in future years based on the number of hardship waivers granted and what the criteria for each will be.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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