

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 586** HLS 16RS 1055
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: April 19, 2016 3:21 PM	Author: CARTER, S.
Dept./Agy.: Higher Education	Analyst: Matthew LaBruyere
Subject: Tuition and Fee Increases	

STUDENT/TUITION OR INCREASE SG RV See Note Page 1 of 2
 Authorizes the public postsecondary education management boards to increase tuition and fee amounts under certain circumstances

Proposed law authorizes each public postsecondary education management board to impose at an institution under its respective management a one-time increase in tuition and mandatory attendance fees if an institution meets both of the following criteria: 1) its approved annual tuition and mandatory fee amount is less than the average amount of annual tuition and mandatory fees for Southern Regional Education Board (SREB) peer institutions; provides that the average amount shall be based on the most recent SREB publication of tuition and mandatory fees for all institutions in the institution's institutional category and 2) its graduation and retention rates are at least equal to the average graduation and retention rates for the same peer institutions. Proposed law prohibits imposition prior to Fall 2019. Proposed law limits the increase to an amount which raises the institution's tuition and mandatory fees to, but does not exceed, the average amount of annual tuition and mandatory fees for SREB peer institutions. Proposed law authorizes the increase to remain in effect but prohibits subsequent increases.

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

EXPENDITURE EXPLANATION

The proposed legislation will result in an increase in state general fund expenditures for TOPS awards as a result of increasing tuition and mandatory fees. The exact increase is indeterminable since it is unknown how much tuition will increase at the institutions that meet the eligibility criteria and it is unknown how many students that receive TOPS will attend the institutions that increase fees. However, for each TOPS recipient that does attend an institution that increased tuition, TOPS expenditures will increase by a like amount.

REVENUE EXPLANATION

The proposed legislation will result in an increase in self-generated revenue (SGR) as a result of institutions increasing tuition and fees to Southern Regional Education Board (SREB) average. The exact increase is indeterminable since it is unknown what schools will be eligible to increase fees, what amount schools will increase tuition and fees, what the SREB average will be in FY 2019-2020, and how many students will be enrolled at each institution. However, to the extent institutions graduation and retention rates remain static and SREB increases remain constant, institutions could generate additional net revenue of \$2.8 M.

The proposed legislation allows for tuition and fee increases if institutions meet graduation and retention rates of their peer institutions. Based on the last cohort data for graduation (2007 4-years, 2010 2-years) and retention (2012) from the Board of Regents and the SREB, 2 institutions meets the criteria to raise tuition and fees. This includes 2 institutions in the LCTC System. To the extent other institutions meet the criteria, they would be eligible to increase tuition and fees as well. It is unknown how many institutions will meet the criteria by FY 20.

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.

To determine the potential increase, the 5-year SREB average tuition rate increase (2010-2014) for each SREB category was used. This average was then applied to the actual FY 14 peer institution data and forecasted to FY 20. The FY 20 figure was compared to the FY 16 actual tuition amount for state institutions. The difference was multiplied by the actual student count and the potential SGR increase was determined. Finally, the gross increase was decreased by 20% for hardship waivers. The table below displays the potential revenue increase by system:

(CONTINUED ON PAGE 2)

<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 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}	

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CONTINUED EXPLANATION from page one:
CONTINUED REVENUE EXPLANATION FROM PAGE 1:

Table with 4 columns: System, Increase, Hardship Waiver, Net Increase. Rows include LSU System, Southern System, UL System, LCTC System, and Total.

NOTE: This is the maximum that may be raised based on eligible institutions at this time. 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. Future eligibility for all institutions is indeterminable.

Senate Dual Referral Rules House

- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
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