

BILL ANALYSIS

Senate Research Center
85R19378 KSD-D

C.S.S.B. 543
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Higher Education
3/28/2017
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

With tuition continuing to rise and the burden of these costs on students and their families taking a toll, it is imperative that the legislature hold institutions accountable for their spending and ensure efficiency of administrative spending.

S.B. 543 requires public institutions of higher education (IHEs) to meet targets on six of 11 performance metrics before being able to consider an increased tuition. If IHEs meet or exceed the performance metrics, proposed tuition increases will be limited to three percent above the rate of inflation. If an IHE does not meet six of the 11 targets, the IHE's tuition increase is limited to inflation. Of those targets, the administrative spending metric is a required metric schools must meet. The bill also puts into statute the process by which performance metric targets are recommended, reviewed, and established, as well as an emergency exception.

S.B. 543 also temporarily limits tuition increases for the 2018-19 and 2019-20 academic years to no more than one percent per year. (Original Author's / Sponsor's Statement of Intent)

C.S.S.B. 543 amends current law relating to performance-based tuition limitations for certain public institutions of higher education and a temporary tuition limitation for those institutions.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 1 (Section 54.05131, Education Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 54, Education Code, by adding Sections 54.05131 and 54.05132, as follows:

Sec. 54.05131. PERFORMANCE-BASED DESIGNATED TUITION LIMITATIONS.

(a) Defines "administrative costs," "coordinating board," "general academic teaching institution," "public state college," and "performance measure."

(b) Requires the Texas Higher Education Coordinating Board (THECB), using the negotiated rulemaking procedures under Chapter 2008 (Negotiated Rulemaking), Government Code, to define the following performance measures to be used for purposes of this section:

- (1) the total number of undergraduate degrees awarded by the institution;
- (2) the total number of undergraduate degrees awarded by the institution, adjusted by the institution's six-year graduation rate under Subdivision (10);
- (3) the total number of undergraduate degrees awarded by the institution per 100 undergraduate full-time student equivalents;

- (4) the total number of undergraduate degrees awarded by the institution to at-risk students;
- (5) the total number of undergraduate students at the institution having successfully completed at least 25 percent of the student's degree requirements or having earned at least 30 credit hours toward a 120-credit-hour degree;
- (6) the total number of undergraduate students at the institution having successfully completed at least 50 percent of the student's degree requirements or having earned at least 60 credit hours toward a 120-credit-hour degree;
- (7) the total number of undergraduate students at the institution having successfully completed at least 75 percent of the student's degree requirements or having earned at least 90 credit hours toward a 120-credit-hour degree;
- (8) the average length of a student's enrollment, by number of semesters, for undergraduate degree completion;
- (9) the four-year graduation rate of first-time, full-time, bachelor's degree-seeking students who enrolled in at least 12 semester credit hours in the student's first fall semester at the institution and who graduated from the institution or from any other institution of higher education (IHE) or private or independent IHE;
- (10) the six-year graduation rate of first-time, full-time, bachelor's degree-seeking students who enrolled in at least 12 semester credit hours in the student's first fall semester at the institution and who graduated from the institution or from any other IHE or private or independent IHE; and
- (11) the institution's administrative costs.

(c) Provides that this section applies only to a general academic teaching institution other than a public state college.

(d) Requires THECB, not later than November 1 of each even-numbered year, to:

- (1) in consultation with the president of each institution to which this section applies, establish a target level for each performance measure applicable to the institution for each of the two next academic years to encourage the institution to achieve reasonable incremental progress toward appropriate long-term goals for performance in each performance measure, taking into account the mission, resources, and circumstances of the particular institution; and
- (2) submit to the standing committee of each house of the legislature with primary jurisdiction over higher education and to each institution to which this section applies a report that includes the target levels established by THECB under Subdivision (1) for each institution.

(e) Requires THECB, using the negotiated rulemaking procedures under Chapter 2008, Government Code, by rule, to develop standards to be considered by THECB in establishing an institution's target levels for performance measures. Requires the negotiated rulemaking committee established for purposes of this subsection and THECB, in developing the standards, to consider institutional improvement on target levels. Requires THECB to reconvene the negotiated

rulemaking committee to assist THECB whenever THECB modifies or updates the standards.

(f) Requires THECB, in adopting rules under this section, to prescribe any necessary adjustments or exceptions for institutions that offer only upper-division courses and to which certain performance measures prescribed by Subsection (b) do not apply.

(g) Requires THECB, as soon as practicable after each academic year, to determine whether an institution has achieved the applicable target levels for that academic year. Requires THECB, using the negotiated rulemaking procedures under Chapter 2008, Government Code, to establish the process by which an institution's achievement on a performance measure is submitted to and verified by THECB.

(h) Requires THECB, after THECB makes a determination for an institution under Subsection (g), to notify the governing board of the institution that Subsection (i) or (j), as applicable, applies to the tuition charged by the institution for the second academic year following the academic year for which the determination is made and of the limitation prescribed by the applicable subsection on the amount of tuition that may be charged by the institution for that academic year.

(i) Provides that this subsection applies to tuition charged for an academic year by an institution to which this section applies only if the institution did not achieve, in the second academic year preceding that academic year, the target level assigned by THECB for the administrative costs performance measure as applicable to the institution for that preceding academic year and a majority of the target levels assigned to the remaining performance measures by THECB as applicable to the institution for that preceding academic year. Prohibits the amount of tuition the governing board of the institution charges under Section 54.0513 (Designated Tuition) to a student for that academic year, for an academic year in which this subsection applies to the tuition charged by an institution, unless the institution has been granted an exception under Subsection (m) for that year, from exceeding the total amount of tuition that the governing board would have charged under that section to a similarly situated student in the preceding academic year, as that amount is adjusted for each academic year for inflation. Prohibits the governing board from increasing the amount of tuition charged to a student more than once in any academic year.

(j) Provides that this subsection applies to tuition charged for an academic year by an institution to which this section applies only if the institution achieved, in the second academic year preceding that academic year, the target level assigned by THECB for the administrative costs performance measure as applicable to the institution for that preceding academic year and a majority of the target levels assigned to the remaining performance measures by THECB as applicable to the institution for that preceding year. Prohibits the amount of tuition the governing board of the institution charges under Section 54.0513 to a student for that academic year, for an academic year in which this subsection applies to the tuition charged by an institution, from exceeding by more than three percent the total amount of tuition that the governing board would have charged under that section to a similarly situated student in the preceding academic year, as that amount is adjusted for each academic year for inflation. Prohibits the governing board from increasing the amount of tuition charged to a student more than once in any academic year.

(k) Provides that for the purposes of this section:

(1) an institution is considered to have achieved a target level assigned to a performance measure if the institution has achieved at least 98 percent of the target level; and

(2) 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 tuition charged to the student.

(l) Requires the Legislative Budget Board (LBB), not later than August 31 of each year, or as soon thereafter as practicable, to publish and certify to the governing board of each institution to which this section applies the inflation rate to be used for purposes of this section for the next academic year. Provides that the inflation rate is the percentage increase, if any, as expressed in decimal form rounded to the nearest thousandth of one percent, in the consumer price index (CPI), as defined by Section 341.201 (Definitions of Indexes), Finance Code, for the preceding 12-month period as compared to the CPI for the 12-month period preceding that period.

(m) Requires THECB, using the negotiated rulemaking procedures under Chapter 2008, Government Code, by rule, to establish an exception to the application of Subsection (i) for an institution to which that subsection would otherwise apply for an academic year in the event of a natural disaster or other extraordinary circumstance affecting the institution's achievement on performance measures. Provides that, in an academic year for which an institution is granted an exception, Subsection (j) applies to the institution.

Sec. 54.05132. TEMPORARY LIMITATION ON TOTAL AMOUNT OF TUITION. (a) Defines "general academic teaching institution," "public state college," and "tuition."

(b) Prohibits the total amount of tuition charged by a general academic teaching institution other than a public state college to a student for the 2018-2019 or 2019-2020 academic year, notwithstanding Section 54.0513, from exceeding by more than one percent the total amount of tuition that the institution would have charged to a similarly situated student for the preceding academic year, as that amount is adjusted for each academic year for inflation. Provides that, for purposes of this subsection, 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 tuition charged to the student. Provides that this subsection does not ensure that the total amount of tuition charged to an individual student does not increase based on a change in the student's residency status, degree program, course load, course level, tuition exemption status, or other circumstance affecting the tuition charged to the student.

(c) Requires LBB, not later than August 31 of each year, or as soon thereafter as practicable, to publish and certify to the governing board of each institution to which this section applies the inflation rate to be used for purposes of this section for the next academic year. Provides that the inflation rate is the percentage increase, if any, as expressed in decimal form rounded to the nearest thousandth of one percent, in the consumer price index, as defined by Section 341.201, Finance Code, for the preceding 12-month period as compared to the CPI for the 12-month period preceding that period.

(d) Provides that this section expires September 1, 2020.

SECTION 2. Provides that Section 54.05131, Education Code, as added by this Act, applies beginning with the 2020-2021 academic year.

SECTION 3. Effective date: September 1, 2017.

